

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Shell Beach LLC, a Hawaii limited liability company
 Address 2330 Marinship Way, Suite 211, Sausalito, California 94965
 Project Name (*): Laule'a at Mauna Lani
 Address: South Kaniku Drive, Kohala Coast, Hawaii 96743

Registration No. 5635 Effective date: April 18, 2006
 Expiration date: January 18, 2007

Preparation of this Report:

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

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

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

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

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

Type of Report:

- PRELIMINARY:**
(yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.
 - CONTINGENT FINAL:**
(green) The developer has legally created a condominium and has filed information with the Commission for this report which EXPIRES NINE (9) MONTHS after the above effective date. Contingent Final public reports may not be extended or renewed.
 - No prior reports have been issued.
 - This report supersedes all prior public reports.
 - FINAL:**
(white) The developer has legally created a condominium and has filed complete information with the Commission.
 - No prior reports have been issued.
 - This report supersedes all prior public reports.
 - This report must be read together with _____
 - SUPPLEMENTARY:**
(pink) This report updates information contained in the:
 - Preliminary Public Report dated: _____
 - Final Public Report dated: _____
 - Supplementary Public Report dated: _____
- And
- Supersedes all prior public reports.
 - Must be read together with _____
 - This report reactivates the _____ public report(s) which expired on _____

(*) Exactly as named in the Declaration
 This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report 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: SEE EXHIBIT A

SPECIAL ATTENTION

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

STATUTORY NOTICE

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

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

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

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Shell Beach LLC Phone: (415) 331-2555
Name* (Business)
2330 Marinship Way, Suite 211
Business Address
Sausalito, California 94965

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):

MFB I, Inc., a California corporation, Manager
Bonnie Frank is president of MFB I, Inc.
Big Island Investors LLC, a California limited liability company, Member
ARBA, LLC, a California limited liability company, Member

Real Estate Broker*: Maryl Realty, Inc. Phone: (808) 331-8200
Name* (Business)
75-1000 Henry Street, Suite 200
Business Address
Kailua-Kona, Hawaii 96740

Mauna Lani Realty, Inc. Phone: (808) 885-6688
Name* (Business)
68-1310 Mauna Lani Drive, Suite 101
Business Address
Kohala Coast, Hawaii 96743

Escrow: Old Republic Title & Escrow of Hawaii Phone: (808) 566-0100
Name* (Business)
733 Bishop Street, Suite 2700
Business Address
Honolulu, Hawaii 96813

General Contractor*: Not yet selected Phone: (Business)
Name*
Business Address

Condominium Managing Agent*: Classic Resorts Limited Phone: (808) 667-1111
Name* (Business)
180 Dickenson Street, Suite 201
Business Address
Lahaina, Hawaii 96761

Attorney for Developer: McCarriston Miller Mukai MacKinnon LLP Phone: (808) 529-7300
Attn.: D. Scott MacKinnon, Esq. (Business)
Name*
Suite 400, Five Waterfront Plaza, 500 Ala Moana Blvd.
Business Address
Honolulu, Hawaii 96813

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

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

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

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

The Declaration for this condominium is:

- Proposed
- Recorded - Bureau of Conveyances: Document No. 2006-052708
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. 4193
- Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

- Proposed
- Recorded - Bureau of Conveyances: Document No. 2006-052709
Book _____ Page _____
- Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

- Proposed Adopted Developer does not plan to adopt House Rules

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

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

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

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

2. **Developer:**

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

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

For Sub-leaseholds:

- Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:
 Canceled Foreclosed
- As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: South Kaniku Drive Tax Map Key (TMK): (3) 6-8-022:024
Kohala Coast, Hawaii 96743

Address TMK is expected to change because the County has not yet assigned a street number

Land Area: 5.169 square feet acre(s) Zoning: RM-3 and Open

Fee Owner: Shell Beach LLC
 Name
2330 Marinship Way, Suite 211
 Address
Sausalito, California 94965

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: 3 plus recreational and carports Floors Per Building: 2
 Exhibit C contains further explanations.
3. Principal Construction Material:
 Concrete Hollow Tile Wood
 Other: Tile and stucco
4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>18</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No

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

5. Special Use Restrictions:

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

Pets: Not more than two common domestic pets such as dogs, cats, birds or rabbits except for service animals

Number of Occupants: _____

Other: _____

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 18 Stairways: 18 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
<u>A</u>	<u>6</u>	<u>3/3.5</u>	<u>3,064</u>	<u>882 / 457</u>	<u>lanais/garage</u>
<u>B</u>	<u>12</u>	<u>3/3.5</u>	<u>2,697</u>	<u>762 / 370</u>	<u>lanais/garage</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 18

* 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 D

Permitted Alterations to Apartments: SEE EXHIBIT E

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 X elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 55

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	<u>36</u>	<u> </u>	<u>36</u>				
Guest	<u>0</u>	<u>19</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>19</u>
Unassigned	<u> </u>						
Extra for Purchase	<u> </u>						
Other: <u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Covered & Open:	<u>55</u>	<u> </u>	<u>55</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: Clubhouse and fitness Center

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:

See C. Additional Information Not Covered Above on page 20.

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 F .
 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 G.

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 _____.

as follows:

Type A 6.084% Building A
Type A 6.085% Building B and C
Type B 5.291%

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 March 15, 2006 and issued by Old Republic Title Corporation.

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

Construction is estimated to commence April 2006 and be completed December 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):

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 (X Common Elements Only _____ Common Elements & Apartments)
- Gas (X Common Elements Only _____ Common Elements & Apartments)
- Water (Common Elements Only) Sewer (Common Elements Only) Television Cable
- Other: _____

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 J contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated March 7, 2005
Exhibit K contains a summary of the pertinent provisions of the escrow agreement.
- Other Owner-Occupant Affidavit and Reservation

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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 Mauna Lani Master Declaration

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

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. 5635 filed with the Real Estate Commission on March 21, 2005.

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C. **Additional Information Not Covered Above**

1. **Nonsignificant Zoning Changes.**
 - a. Developer has obtained a Nonsignificant Zoning Change from the County of Hawaii Planning Department which granted the Developer's requested reconfiguration of sections of the Open zone portion of the Project so that certain buildings in the Project did not need to be relocated as they no longer encroach into the Open zone portion of the Project.
 - b. Developer intends to file an application to amend the Nonsignificant Zoning Change obtained from the County of Hawaii Planning Department to further reconfigure sections of the Open zone portion of the Project. If the application is not granted a portion of one of the carports for Building A of the Project may need to be moved so as to not encroach into that existing Open zone portion of the Project.
2. **Master Deed and Master Declaration.** The Project is subject to the Limited Warranty Deed dated January 12, 2005 and described in Exhibit H List of Encumbrances item 5. The Project is also subject to the Declaration of Covenants and Restrictions (Mauna Lani Resort Association) described in Exhibit H item 2, as now or later amended ("Master Declaration") and rules and regulations adopted under the Master Declaration. Apartment Owners in the Project will be members of the Mauna Lani Resort Association and pay dues to that Association, which will be collected by the Project's Association.

D. 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.

Shell Beach LLC
Printed Name of Developer

By: MFB I, Inc., Manager 3/14/06
[Signature] Duly Authorized Signatory* Date

Bonnie Frank, President of Manager of Developer
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.**

The summary set forth below contains a general description of the changes made by the developer since the issuance of the Preliminary Public Report on the Project on April 18, 2005. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier Preliminary Public Report if they wish to know all of the specific changes that have been made.

1. The Developer has changed attorneys and has now retained the services of McCorrison Miller Mukai MacKinnon LLP, Five Waterfront Plaza, Suite 400, 500 Ala Moana Boulevard, Honolulu, Hawaii, 96813 (Attn: D. Scott MacKinnon, Esq.) to represent Developer with respect to this Project.
2. The Developer has appointed a co-broker for the Project. The Developer has appointed and designated as a co-broker for the Project, Maryl Realty, Inc., whose address is 75-1000 Henry Street, Suite 200, Kailua-Kona, Hawaii 96740 (Tel. No. (808) 331-8200) pursuant to that certain Brokerage Services Agreement dated November 23, 2005, a copy of which has been filed with the Commission. The existing Brokerage Listing Agreement with Mauna Lani Realty, Inc. dated as of January 12, 2005, which was provided to the Commission with the Preliminary Public Report remains in effect, but has been amended by that certain First Amendment to Brokerage Listing Agreement dated as of November 23, 2005, which has been filed with the Commission.
3. The Developer has selected and designated the initial property management company for the Project which is Classic Resorts Limited, whose address is 180 Dickenson Street, Suite 201, Lahaina, Maui, Hawaii 96761 pursuant to that certain Association of Apartment Owners Management Agreement dated February 14, 2006, a copy of which has been filed with the Commission.
4. The Developer has adopted House Rules for the Project as of March 10, 2006, and a copy of the adopted House Rules have been filed with the Commission.
5. The prior listing of encumbrances against title to the Project (Exhibit G of the Preliminary Public Report) was revised to include the Declaration of Condominium Property Regime of Laule'a at Mauna Lani dated March 10, 2006, recorded in the Bureau of Conveyances of the State of Hawaii (the "Bureau") as Document No. 2006-052708, the Bylaws of the Association of Association of Apartment Owners of Laule'a at Mauna Lani dated March 10, 2006, recorded in the Bureau as Document No. 2006-052709, and Condominium Map No. 4193 filed with the Bureau as encumbrances against title.
6. The Developer Control Period as defined in the Section 8.6 of the Declaration has been extended from 12 to 24 months after recordation of the last deed transferring title to an Apartment in the Project.
7. The square footages of the two (2) apartment types have been changed as reflected in the Declaration and on the Condominium Map. The Type A apartments now have a net living area of approximately 3,064 square feet and net other areas of approximately 882 square feet of lanais and a two-car garage of approximately 457 square feet. The Type B apartments now have a net

EXHIBIT A

Summary of Changes from Earlier Public Reports

living area of approximately 2,697 square feet and net other areas of approximately 762 square feet of lanais and a one-car garage of approximately 370 square feet.

8. As a result of the change in the square footages of the two (2) apartment types the common interest appurtenant to each of the Apartments has been changed. The Type A Apartment in Building A will have a common interest of 6.084%, the Type A Apartments in Buildings B and C will have a common interest of 6.085%, and the Type B Apartments in Buildings A, B and C will have a common interest of 5.291%.
9. The number of guest parking stalls in the Project has been increased from 13 to 19 parking stalls.
10. The limited common elements have been modified to provide that the two (2) air conditioner condenser units servicing each Apartment as shown on the Condominium Map with the same number as the Apartment are designated as a limited common element to such Apartment.
11. The estimated dates for commencement and completion of the Project have been changed to commencement in April 2006 and completion in December 2007.
12. Minor revisions have been made to the form of Sales Contract and a copy of the revised Sales Contract has been filed with the Commission.

EXHIBIT A

Summary of Changes from Earlier Public Reports

1. The Developer, its agents, employees, contractors, licensees, successors and assigns, shall have an easement over and upon the Project as may be reasonably necessary for the completion of the Project and any correction of work. This easement shall continue during Developer's Control Period. (Declaration Section 8.6.) Developer's Control Period means the period ending twenty-four (24) months after recordation of the last deed transferring title to an Apartment to any person or entity other than the Developer, a party related to the Developer or the Developer's successor in interest.
2. The Developer hereby reserves the right to designate, grant, convey, transfer, cancel, relocate and otherwise deal with any easements over, under, across, or through the common elements (including the limited common elements) for any reasonable purpose, which may include, but shall not be limited to, those purposes which are necessary to the operation, care, upkeep, maintenance or repair of any Apartment or the common elements or any easements for utilities or for any public purpose; provided, however, that in exercising its rights under this Section 8.7, the Developer shall not do anything or permit anything to be done which shall unreasonably interfere with the use of the affected common or limited common element for its originally intended purpose, unless such action is required to ensure the public health, safety or welfare or to comply with any governmental rule, regulation, law or ordinance. The rights set out in this Section 8.7 shall continue during Developer's Control Period. (Declaration Section 8.7.)
3. Under the Master Deed the grantor has reserved certain easement rights with the prior approval of the grantee (Developer) which shall not be unreasonably withheld. Developer has reserved these approval rights until the conveyance of the last apartment in the Project at which time they will be transferred to the Association. (Declaration Section 8.8.)
4. Developer and its agents, employees, contractors, and licensees shall have the right and easement during Developer's Control Period to conduct extensive sales activities in the Project, including the common elements (but not limited common elements), including the use of model Apartments, sales and management offices, and extensive signs, sales displays and activities. The Developer shall be responsible for any additional cleaning and repairs caused by its exercise of this easement. (Declaration Section 8.9.)
5. In connection with its sales activities the Developer and its agents, employees, contractors, and licensees shall have the right and easement to conduct events in the common elements including without limitation the recreational facilities described in Exhibit F item 6 of this public report. The Developer shall be responsible for any additional cleaning and repairs caused by its exercise of this easement. (Declaration Section 8.10.)
6. Developer, its agents, employees, contractors and licensees shall have an easement over, under and upon the Project or any portion of the Project, to create and cause noise vibration, dust and other nuisances created by or resulting from any work connected with or incidental to the construction of Apartments and common elements and the sale of any Apartment or other improvements in the Project, and each Apartment owner, lessee, mortgagee, lien holder or other person with an interest in the Project waives any right, claim or action which such person may have or acquire against Developer, its agents, employees, contractors, licensees, successors and assigns as a result of such activity or activities. (Declaration Section 8.11.)
7. To the extent that the joinder or consent of any Apartment Owner may be required in order to confirm, effectuate or exercise any easements or rights granted or reserved to the Developer, or to validate any act or thing done pursuant to such easements, rights and reservations of the Developer, such joinder or consent may be executed and given by the Developer as the attorney-in-fact for, and in the name and stead and on behalf of, such Apartment Owner. Each Apartment Owner, by acquiring or accepting the ownership of an Apartment or any other interest in the Project or any Apartment, thereby (i) appoints the Developer as such Owner's attorney-in-fact as aforesaid, such appointment being coupled with an interest and being irrevocable, and (ii) agrees that such Owner shall, promptly upon the Developer's request and for no further consideration,

EXHIBIT B

Summary of Developer's Reserved Rights

execute, acknowledge and deliver to the Developer such instruments as the Developer may require to evidence or confirm such joinder or consent. (Declaration Section 8.12.)

8. If the Project is found not to be in compliance with any federal, state or local law in effect at the time of completion of the Project, the Developer shall have the right, at its election, at any time afterwards to enter the Project and make such modifications to the common elements as are necessary, in the Developer's judgment, to bring the Project into compliance with the applicable laws. This right shall include, but shall not be limited to, the right to cause noise, dust and other disturbances and nuisances incidental to modifying the common elements as required; provided, however, that the Developer or any party performing such work on behalf of the Developer shall make reasonable efforts to minimize such disturbances and nuisances. (Declaration Section 8.13.)
9. At any time prior to the first recording of a conveyance or transfer (other than for security) of an Apartment and its appurtenances to a party not a signatory to the Declaration, the Developer may amend the Declaration (including all exhibits), the Bylaws and the Condominium Map in any manner, without the consent or joinder of any Apartment purchaser or any other party. (Declaration Section 18.1.)
10. Notwithstanding the lease, sale or conveyance of any of the Apartments, the Developer may amend the Declaration (and when applicable, any exhibits to the Declaration) and the Condominium Map to file the "as-built" verified statement required by Section 514A-12 of the Act (i) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans thereto filed fully and accurately depict the layout, location, Apartment numbers, and the dimensions of the Apartments as built, or (ii) so long as the plans filed therewith involve only minor changes to the layout, location, or dimensions of the Apartments as built or any change in the Apartment number. (Declaration Section 18.1.)
11. Any other provision of the Declaration notwithstanding, during Developer's Control Period, the Developer shall have the right (but not the obligation) to amend the Declaration and the Bylaws (and the Condominium Map, if appropriate) without the consent or joinder of any Apartment Owner, lienholder or other person or entity, for the purpose of meeting any requirement imposed by (i) any applicable law, (ii) the Real Estate Commission of the State of Hawaii, (iii) any title insurance company issuing a title insurance policy on the Project or any of the Apartments, (iv) any institutional lender lending funds on the security of the Project or any of the Apartments, or (v) any other governmental or quasigovernmental agency including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the U.S. Department of Housing and Urban Development or the Veterans Administration; provided, however, that no amendment which would change the common interest appurtenant to an Apartment or substantially change the design, location or size of an Apartment shall be made without the consent of all persons having an interest in such Apartment. Each and every party acquiring an interest in the Project, by such acquisition, consents to the amendments described in this Section and agrees to execute and deliver such documents and instruments and do such other things as may be necessary or convenient to effect the same, and appoints the Developer and its assigns as his or her attorney-in-fact with full power of substitution to execute and deliver such documents and instruments and to do such things on his or her behalf, which grant of such power, being coupled with an interest, is irrevocable for the duration of such reserved rights, and shall not be affected by the disability of such party or parties. (Declaration Section 18.2.)
12. Developer can amend the Declaration and Condominium Map without the joinder of any other Owner to do any or all of the following with respect to any Apartment owned by Developer:
 - (a) Subdivide the Apartment to create two or more Apartments;

EXHIBIT B

Summary of Developer's Reserved Rights

- (b) Designate which limited common elements of the subdivided Apartment will be appurtenant to the Apartments resulting from the subdivision;
- (c) Change parts of the existing Apartment to common elements or to limited common elements appurtenant to one or more of the Apartments resulting from the subdivision; and
- (d) Change parts of the limited common elements appurtenant only to the subdivided Apartment into parts of one or more of the Apartments resulting from the subdivision.

The common interest that was appurtenant to the subdivided Apartment will be divided among the Apartments resulting from the subdivision according to the ratio of their total areas. The total of the common interests for the newly created Apartments must be equal to the common interest of the subdivided Apartment. (Declaration Section 18.3.1)

13. Developer as the owner of two or more Apartments can amend the Declaration and Condominium Map without the joinder of any other Owner to do any or all of the following

- (a) Consolidate the apartments into a single Apartment; and
- (b) Make any common element walls between the Apartments part of the Apartment or its limited common elements. This does not apply, however, to load-bearing walls.

The common interest of the newly created Apartment will be equal to the sum of the common interests of the Apartments being consolidated. (Declaration Section 18.3.2)

14. Developer as the Apartment Owner of two or more Apartments can amend the Declaration and Condominium Map without the joinder of any other Owner to consolidate and resubdivide the Apartments in a single amendment using the rights provided in Section 18.3.1 and 18.3.2. (Declaration Section 18.3.3.)

15. Reservation to Withdraw Land and Apartments. Any other provision in the Declaration to the contrary notwithstanding, the Developer shall have the right (but shall not be obligated) in its sole discretion without being required to obtain the consent or joinder of any person or group of persons, including the Association, any Apartment Owner or any mortgagee, lien holder, Apartment purchaser, or any other person who may have an interest in the Project or in any Apartment, to remove and delete from the Project and from the effect of the Declaration and the Act all or any unbuilt and unsold Apartments and related unbuilt or unimproved common elements and limited common elements; provided, however, that this right to withdraw shall not apply to the recreational amenities described in Exhibit E item 6 of this public report, nor to any roadways, walkways, parking areas, landscaped areas, easements or any other part of or interest in the Project actually utilized by or serving any Apartment owned by any party other than the Developer at the time of such withdrawal. For purposes of this Section, "unsold Apartment" shall mean an Apartment owned by the Developer and for which no sales contract for the purchase and sale of the Apartment has become binding upon both the seller and the buyer under the contract.

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

EXHIBIT B

Summary of Developer's Reserved Rights

quitclaim and/or release its interest (if any) in that portion of the Land and common elements so removed and deleted to the Developer.

In the exercise of the rights reserved in this Section, the Developer may at any time (i) file and process to final approval an application with the County of Hawaii for the legal subdivision of that portion of the Project to be withdrawn in the event that a portion of the Land will be withdrawn, (ii) file or record supporting file plans, maps or other instruments in the Bureau, (iii) record one or more amendments to the Declaration in the Bureau containing an amended description of the Land and Apartments covered by the Declaration and deleting therefrom that portion of the Land and the Apartments removed and deleted from the Project, and amending the common interests appurtenant to the remaining Apartments so that the aggregate common interest appurtenant to all remaining Apartments equals 100%, (iv) file in the Bureau an amended Condominium Map reflecting the removal and deletion of the withdrawn Land and Apartments, and (v) if deemed appropriate, apply for and obtain from the Real Estate Commission of the State of Hawaii a Supplementary Public Report describing the changes made in the Project pursuant to the terms of this Section. Any removal and deletion of land and Apartments made pursuant to this Section shall be deemed effective for all purposes upon the recordation in the Bureau of the amendment(s) to the Declaration and Condominium Map referenced herein.

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

The rights of the Developer under this Section shall extend to the Developer and its respective successors and assigns as developer.

Notwithstanding any provision herein to the contrary, this Section may not be amended without the written consent and joinder of the Developer. (Declaration Section 20.)

16. Developer shall have the absolute right, notwithstanding the lease, sale or conveyance of any Apartment, and without being required to obtain the consent or joinder of any Apartment Owner, lien holder or other persons, to exercise any and all rights reserved to Developer in the Declaration and to execute, record and/or file easements, amendments and any and all other instruments necessary or appropriate for the purpose of exercising Developer's rights. Any such action shall be deemed taken by Developer as the true and lawful attorney-in-fact of the respective Apartment Owners and lien holders. Each and every party acquiring an interest in any Apartment, the Project or the Land covered by the Declaration, by such acquisition, consents to the exercise of any of Developer's rights and to the recordation of such documents as may be necessary to effect the same; agrees to execute such documents and do such other things as may be necessary or convenient to effect the same; and appoints Developer his or her attorney-in-fact with full power of substitution to execute such documents and do such other things on his or her behalf, which grant of such power, being coupled with an interest, is irrevocable and shall not be affected by the disability of any such party. (Declaration Section 24.1.)

EXHIBIT B

Summary of Developer's Reserved Rights

17. Assignment of Developer's Rights. Developer may assign or mortgage or grant a security interest in whole or in part with respect to any rights reserved to Developer in the Declaration by a recorded instrument specifically assigning or mortgaging or granting a security interest in such rights, in connection with the conveyance or mortgaging of one or more Apartments in the Project, but such rights shall be held by only one person or entity at any time unless the assignment specifically provides otherwise. (Declaration Section 24.2.)

EXHIBIT B

Summary of Developer's Reserved Rights

The Project includes:

Three (3) residential buildings, Building "A", Building "B" and Building "C", each of which is two-story without a basement (the "Buildings"), contains six (6) Apartments and common elements as described in Exhibits D and F of this public report, and is constructed principally of wood, stucco and tile; and

Three one-story recreational buildings, buildings 1, 2 and 3 and the other common elements and the limited common elements described in the Declaration and more particularly shown on the Condominium Map.

EXHIBIT C

Description Of Buildings

DESCRIPTION OF APARTMENTS.

The Project contains two (2) different types of Apartments, designated herein and on the Condominium Map as Type A and Type B, and more particularly described as follows:

TYPE A APARTMENTS:

The Project contains six (6) Type A Apartments. Each Type A Apartment is approximately one-sixth of a six-plex and shares a two-story free-standing building with another Type A Apartment and four (4) Type B Apartments. The Type A Apartments in each building are end units connected to a Type B Apartment by a common wall. Each Type A Apartment includes three (3) bedrooms (2 on the lower level and 1 on the upper level), three and one-half (3.5) bathrooms (2 on the lower level and 1.5 on the upper level), a laundry room and storage room (lower level) a kitchen and "great room" (upper level) and an entry foyer between the levels, with an elevator providing access to and between the first and second levels, for a combined net living area of approximately 3,064 square feet. Each Type A Apartment also includes a two-car garage with a net area of approximately 457 square feet, and covered lanais on both the lower and upper levels with a combined net area of approximately 882 square feet, for a total aggregate net area of approximately 4,403 square feet.

TYPE B APARTMENTS:

The Project contains twelve (12) Type B Apartments. Each Type B Apartment is approximately one-sixth of a six-plex and shares a two-story free-standing building with three (3) other Type B Apartments and with two (2) Type A Apartments. The Type B Apartments in each building are connected by a common wall on two sides. Each Type B Apartment includes three (3) bedrooms (2 on the lower level and 1 on the upper level), three and one-half (3.5) bathrooms (2 on the lower level and 1.5 on the upper level), a laundry room (lower level), a kitchen and "great room" (upper level) and an entry foyer between the levels, with an elevator providing access to and between the first and second levels, for a combined net living area of approximately 2,697 square feet. Each Type B Apartment also includes a one-car garage with a net area of approximately 370 square feet, and covered lanais on both the lower and upper levels with a combined net area of approximately 762 square feet, for a total aggregate net area of approximately 3,829 square feet.

The right side of each Building is a mirror image of the left side so that the Type A Apartments in the Building are mirror images of each other and the Type B Apartments on the right half are mirror images of the Type B Apartments on the left half.

EXHIBIT D

Description Of Apartments And Boundaries

BOUNDARIES OF APARTMENTS.

Each Apartment shall be deemed to include: (i) all the walls and partitions that are not load-bearing within its perimeter walls, (ii) the interior decorated or finished surfaces of all walls, floors and ceilings, including floor coverings, (iii) any doors, and door frames, windows or panels and window frames along the perimeters, (iv) the decorated or finished surface of the floor, walls (if any) and ceiling of the lanais appurtenant to the Apartment, the railings or walls surrounding the lanais and the lanai air spaces, and (v) the garage attached to the Apartment (two-car with respect to Type A Apartments, one-car with respect to Type B Apartments). The respective Apartments shall not be deemed to include: (a) the undecorated or unfinished surfaces of the perimeter walls, the interior load-bearing walls, or the party walls, (b) the undecorated or unfinished surfaces of the floors and ceilings surrounding each Apartment, and (c) any pipes, shafts, wires, conduits or other utility or services lines running through such Apartment which are utilized for or serve more than one Apartment, the same being deemed common elements.

EXHIBIT D

Description Of Apartments And Boundaries

Page 2 of 2

1. Within an Apartment. Any alterations or additions within an Apartment or a limited common element appurtenant to an Apartment, which do not affect the structural integrity of the Building or the soundness or safety of the Project, or reduce the value of the Project or impair any easement, shall require only the approvals provided in Section 19.3 of the Declaration. (Declaration Section 19.1.)

2. Adjacent Apartments. An Apartment Owner owning two or more Apartments, which Apartments are separated only by Common Elements which are walls, may alter or remove all or portions of the intervening walls if the Apartment Owner satisfies the following conditions:

The structural integrity of the Building or the soundness and safety of the Project are not affected, the value of the Project is not reduced, and no easement or hereditament of the Project is impaired;

The remainder of the Common Element is restored to a finish substantially comparable to the finish of that Common Element prior to the work; and

On the termination of the common ownership of such adjacent Apartments, if the intervening walls or door shall have been altered or removed in accordance with this Section 19.2 each of the Owners of such Apartments shall be obligated to restore the intervening walls or doors to substantially the condition in which they existed before the alteration or removal.

If the adjacent Apartments remain in common ownership, the owner of the adjacent Apartments which have been altered or removed in accordance with this Section may, at any time, restore the intervening walls or doors to substantially the condition in which they existed before the alteration or removal. (Declaration Section 19.2.)

3. Consents. Improvements in accordance with the above Sections may be undertaken without an amendment to the Declaration or the filing of a complete set of floor plans of the Project as so altered. Such improvements, including their plans, which shall be prepared by a licensed architect, shall require the written approval of only, the holders of liens affecting such Apartments (if the lien holders require such approval), and the Board, but only to the extent required by the Act, and all other Apartment owners directly affected (as conclusively determined by the Board) but only to the extent required by the Act. Apartment owners shall be determined to be directly affected only if such improvements are visible from such Owners' Apartments or increase the transmission of sound or heat to such owners' Apartments or decrease the transmission of light, all as determined by the Board. If the Apartment Owner is not Developer, then Developer's prior written approval of the plans for any alterations will be required during Developer's Control Period. (Declaration Section 19.3.)

EXHIBIT E

Permitted Alterations

1. The Land, in fee simple;
2. The limited common elements described in Exhibit G.
3. All foundations, columns, girders, beams, supports, perimeter walls, load-bearing walls, roofs, exterior stairs and stairways, pumps, ducts, pipes, wires, conduits, or other utility or service lines located outside of the Apartments and that are utilized for or serve more than one Apartment, and generally all equipment, apparatus, installations and personal property existing for common use in any of the buildings or located on the Land.
4. All pipes, wires, ducts, conduits or other utility or service lines running through an Apartment which are utilized by or serve more than one Apartment.
5. All air conditioning condenser units located outside the Buildings, each of which currently serves a single floor of a single Apartment.
6. All recreational facilities and other amenities of the Project, including, but not limited to, a swimming pool and spa and an "amenities area" situated around the swimming pool, with an outdoor shower and three buildings. Building 1 contains a kitchen, pavilion, lockers and equipment storage and has a lanai with a barbecue. Building 2 contains restrooms, and Building 3 contains a gym.
7. All driveways and other common ways, all carports, parking spaces and areas that are not a part of or included within an Apartment's garage, all perimeter fences, all storage areas not located within an Apartment, all landscaping, courtyards, fences, gates, retaining walls, mailboxes, trash areas, maintenance structures and facilities and accessory equipment areas, including any electrical and mechanical facilities located on the Land.
8. The nineteen (19) guest parking stalls, one of which is accessible with an aisle.
9. The propane tank enclosure.
10. All other improvements on the Land which are not part of any Apartment.

EXHIBIT F

Description Of Common Elements

1. Each Apartment shall have appurtenant to it as limited common elements:

All pipes, wires, ducts, conduits or other utility or service lines located within or running through the Apartment and utilized by or serving only that Apartment.

The air space between the Apartment's ceiling and roof.

The Outdoor Garden Court shown on the Condominium Map as leading from the Apartment and its surrounding wall or fence and the door leading to the common elements.

One locker in the recreation Building 1.

The mailbox serving the Apartment.

The entry area leading to the Apartment.

The two (2) air condition condenser units servicing the Apartment (the "A/C Units") shown on the Condominium Map with the same number as the Apartment.

2. The Type A Apartments have appurtenant to them jointly as limited common elements the six walkways which lead from their respective garages to the circular driveways in front of their Buildings.

3. Each Type B Apartment shall have appurtenant to it the following limited common elements shown on the Site Plan of the Condominium Map:

The carport parking stall shown on the Condominium Map with the same number as the Apartment.

The carport structure surrounding the Apartment's numbered carport parking stall shall be a limited common element appurtenant to the Apartment and to the other type B Apartments that have numbered carport parking stalls surrounded by the same carport structure.

The entry garden area adjacent to the Outdoor Garden Court, surrounding the entrance stairway shown on the Overall Building 2nd Floor Plan of the Condominium Map and the area's perimeter walls, fences and doors (if any).

EXHIBIT G

Description Of Limited Common Elements

1. Title to all minerals, and metallic mines reserved to the State of Hawaii.
2. -AS TO PARCEL FIRST:-

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

INSTRUMENT: DECLARATION OF COVENANTS AND RESTRICTIONS (MAUNA
 LANI RESORT ASSOCIATION)
DATED: June 3, 1982
FILED: Land Court Document No. 1120889
RECORDED: Liber 16425 Page 203

Said Declaration was amended and/or supplement by the following instruments:

- (1) dated June 3, 1982, filed as Land Court Document No. 1121081, recorded in Liber 16428 at Page 456,
- (2) dated August 13, 1982, filed as Land Court Document No. 1129996, recorded in Liber 16545 at Page 345,
- (3) dated June 23, 1986, filed as Land Court Document No. 1380755, recorded in Liber 19613 at Page 236,
- (4) dated January 8, 1987, filed as Land Court Document No. 1432988, recorded in Liber 20284 at Page 384,
- (5) dated October 28, 1987, filed as Land Court Document No. 1507024, recorded in Liber 21287 at Page 398,
- (6) dated June 22, 1988, filed as Land Court Document No. 1560401, recorded in Liber 22084 at Page 131,
- (7) dated June 25, 1991, filed as Land Court Document No. 1832379, recorded as Document No. 91-089395,
- (8) acknowledged December 24, 1993, filed as Land Court Document No. 2109682, recorded as Document No. 94-009533,
- (9) dated November 7, 1995, filed as Land Court Document No. 2281205, recorded as Document No. 95-168247,
- (10) dated October 16, 1998, filed as Land Court Document No 2537869, recorded as Document No. 98-155464,
- (11) dated April 30, 1999, filed as Land Court Document No. 2541614, recorded as Document No. 99-070732,

EXHIBIT H

List of Title Encumbrances

- (12) dated August 23, 1999, filed as Land Court Document No. 2597831, recorded as Document No. 99-204463,
- (13) dated May 22, 2002, recorded as Document No. 2002-101491;
- (14) dated April 18, 2003, recorded as Document No. 2003-090769;
- (15) dated February 24, 2004, recorded as Document No. 2004-044458;
- (16) dated December 23, 2004, recorded as Document No. 2004-262092; and
- (17) dated January 7, 2005, recorded as Document No. 2005-006575.

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

By DESIGNATION OF DECLARANT AND CO-DECLARANT OF THE MAUNA LANI RESORT ASSOCIATION DECLARATION OF COVENANTS AND RESTRICTIONS AND ACCEPTANCE dated March 10, 1998, effective January 30, 1998, filed as Land Court Document No. 2445165 and also recorded as Document No. 98-033812, 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.

-Note:- Said above Declaration, as amended by the First, Second and Third Amendments, was amended in its entirety by the Fourth Amendment dated January 8, 1987, shown as Item (4) above. In the event of any conflict between the terms and conditions contained in the Declaration, or the First, Second and Third Amendments, and this Fourth Amendment, the Fourth Amendment shall be controlling.

3. -AS TO PARCEL FIRST:-

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

INSTRUMENT:	CERTIFICATE
DATED:	April 22, 1986
RECORDED:	Liber 19452 Page 724
PARTIES:	MAUNA LANI RESORT, INC.
RE:	reclassification of the land described herein from the Agricultural and Conservation districts to the Urban district

4. -AS TO PARCEL FIRST:-

Matters as shown on survey map prepared by David B. Hatchell, Land Surveyor, with M & E Pacific, Inc., dated October 4, 2004 and December 21, 2004, as follows:

- (A) Side Yard Setback (20 ft.) & "No Access" Zone (20 ft.) along northerly boundary;

EXHIBIT H

List of Title Encumbrances

- (B) Rear Yard Setback (20 ft.) & "No Access" Zone (20 ft.) along Mauna Lani Resort (South Course) 1st Fairway;
 - (C) Side Yard Setback (20 ft.) along easterly boundary; and
 - (D) Front Yard Setback (20 ft.) along South Kaniku Drive.
5. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT: LIMITED WARRANTY DEED
DATED: January 12, 2005
RECORDED: Document No. 2005-006576

The foregoing includes, but is not limited to, matters relating to water reservation, and consent requirement for "bulk" sale.

6. DESIGNATION OF EASEMENT "W-1"

PURPOSE: waterline
SHOWN: on survey map attached as Exhibit "C-2" to the Limited Warranty Deed dated January 12, 2005, recorded as Document No. 2005-006576.

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

INSTRUMENT: DECLARATION OF CONDOMINIUM PROPERTY REGIME FOR
"LAULE'A AT MAUNA LANI" CONDOMINIUM PROJECT

DATED: March 10, 2006
RECORDED: Document No. 2006-052708
MAP: 4193 and any amendments thereto

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

INSTRUMENT: BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS OF
LAULE'A AT MAUNA LANI

DATED: March 10, 2006
RECORDED: Document No. 2006-052709

EXHIBIT H

List of Title Encumbrances

DISCLOSURE ABSTRACT
March 22, 2006

1. (a) PROJECT: LAULE'A AT MAUNA LANI
South Kaniku Drive
Kohala Coast, Hawaii 96743
 - (b) DEVELOPER: Shell Beach LLC,
a Hawaii limited liability company
2330 Marinship Way, Suite 211
Sausalito, California 94965
Telephone: (415) 331-2555
 - (c) MANAGING AGENT: Classic Resorts Limited
180 Dickenson Street, Suite 201
Lahaina, Hawaii 96761
Telephone: (808) 667-1111
 - (d) REAL ESTATE AGENT: Maryl Realty, Inc.
75-1000 Henry Street, Suite 200
Kailua-Kona, Hawaii 96740
Telephone: (808) 331-8200

Mauna Lani Realty, Inc.
68-1310 Mauna Lani Drive, Suite 101
Kohala Coast, Hawaii 96743
Telephone: (808) 885-6688
2. MAINTENANCE FEES AND MONTHLY ESTIMATE OF COSTS FOR EACH APARTMENT.
The estimated 2006 budget is on page 3 and the estimated maintenance fees for 2006 are listed on page 4.
 3. DESCRIPTION OF ALL WARRANTIES COVERING THE UNITS AND COMMON ELEMENTS. The form of sales contract provides:

"a. Seller represents and warrants that the quality of the workmanship and construction of the Apartment and Common Elements shall be at least equivalent to that found in comparable residential condominium projects built in Hawaii as of the date Buyer signed this Reservation ("Seller's Warranty"). The warranty period for Seller's Warranty shall be two (2) years from the Closing Date. Seller shall correct any claims for defective materials or workmanship reported in writing to Seller within the two (2) year Seller's warranty period. Seller shall assign to Purchaser, without recourse, any manufacturer's or dealer's warranties covering the furnishings, appliances or equipment in the Apartment and shall assign to the Condominium Association, without recourse, any manufacturer's or dealer's warranties covering the furnishing, appliances or equipment in the Common Elements. Seller, not being the manufacturer of any of the furnishings, appliances or equipment in the Apartment or Project, disclaims any express or implied warranty of any kind whatsoever with respect to such furnishings appliances or equipment, including the

EXHIBIT I

Disclosure Abstract

Page 1 of 4

merchantability of such furnishings, appliances or equipment or their fitness for a particular purpose.

b. Purchaser understands and agrees that (i) Seller's obligation to provide landscaping within the Common Elements of the Project will be deemed fully satisfied upon planting of the plant materials (which need not be in full coverage and maturity) and installation of the irrigation system in accordance with Seller's landscaping plans, as the same may be amended from time to time in Seller's sole discretion; (b) installation of the plant materials and irrigation system may be completed after the Closing Date; (iii) full maturity of the plant materials will only be reached over an extended period of time and Seller is not responsible for providing landscaping maintenance to reach full coverage and maturity; and (d) the Association will be responsible for maintaining the landscaping after initial planting, even if the landscaping has not reached full coverage or maturity. Seller, not being the manufacturer of the irrigation system disclaims any express or implied warranty of any kind whatsoever with respect to the irrigation system, including its merchantability or fitness for a particular purpose."

4. USE OF APARTMENTS. Each Apartment shall be occupied and used only for residential purposes. An Apartment Owner may rent his Apartment to any third party for any period permitted by applicable zoning and by the Master Declaration and the Master Deed and any rules promulgated thereunder, provided that the rental agreement is in writing. The Owner shall provide each rental tenant with a copy of the Rules and Regulations and shall make a copy of the Bylaws, as amended, available for the tenant's review. An Owner who rents his Apartment shall at all times remain primarily and severally liable to all other Apartment Owners and to the Association for any failure on the part of such Owner's tenant(s) to observe and comply with all provisions of the Declaration, the Bylaws, the Rules and Regulations, the Master Declaration and all other applicable laws. In no event shall any Apartment or any interest therein be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any timesharing plan, arrangement or program, including without limitation any so-called "vacation license," "travel club membership" or "time interval ownership" arrangement. The term "timesharing" as used in the Declaration shall be deemed to include, but is not limited to, any plan, program or arrangement under which the right to use, occupy, own or possess an Apartment or Apartments in the Project rotates among various persons on a periodically recurring basis according to a fixed or floating interval or period of time, whether by way of deed, lease, association or club membership, license, rental or use agreement, cotenancy agreement, partnership or otherwise, and whether or not registered under Chapter 514E, Hawaii Revised Statutes, as amended. No Apartment may be used as a rooming house or for bed and breakfast purposes. Other than the foregoing restrictions, the Owners of the respective Apartments shall have the absolute right to lease the same, provided that such lease is in writing and is expressly made subject to the covenants and restrictions contained in the Declaration, the Bylaws, the Rules and Regulations and the Master Declaration.

EXHIBIT I

Disclosure Abstract

Page 2 of 4

Laule'a at Mauna Lani
Estimated Budget

UTILITIES

Electricity	10,000
Television	5,184
Water	30,000
Sewer	9,936
Subtotal	55,120

REPAIRS AND MAINTENANCE

Building	29,565
Supplies	1,000
Landscaping	51,000
Pool Supplies	3,000
Pest Control	1,000
subtotal	85,565

GENERAL AND ADMINISTRATIVE

Audit and Tax Fees	4,000
Management Fee	5,400
Accounting Fee	2,160
Legal	2,000
Concierge/Manager	70,000
Registration and Fees	500
Office Supplies	1,000
Insurance	31,600
-----	-----
subtotal	116,660

RESERVE 10,000

Total Expenses 267,345

EXHIBIT I

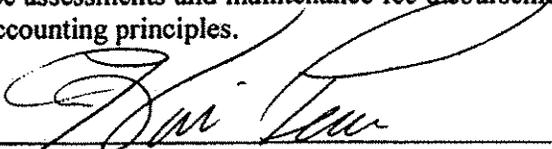
Disclosure Abstract

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Estimated Maintenance Fee Schedule

Type	Common Interest	Maintenance Fee		Mauna Lani Fee		Total	
		Annual	Monthly	Annual	Monthly	Annual	Monthly
Type A Bldng A	0.06084	16,265.27	1,355.44	1,224	102	17,489.27	1,457.44
Type A Bldng B, C	0.06085	16,267.94	1,355.66	1,224	102	17,491.94	1,457.66
Type B	0.05291	14,145.22	1,178.77	1,224	102	15,369.22	1,280.77

I, Bonnie Frank as President of MFB I, Inc., the Manager of Shell Beach LLC, the developer for the Laule'a at Mauna Lani 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

3/22/06

 Date

In arriving at the figure for "Reserves" the Developer has not conducted a reserve study.

(*) 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.

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

EXPLANATION REGARDING RESERVES

Developer has not obtained a Reserve Study because the Project is not yet constructed.

EXHIBIT I

Disclosure Abstract

The Sales Contract provides for the sale of an Apartment by the developer to a Purchaser. The Sales Contract contains many important provisions which are not set out here and should be carefully reviewed by every prospective Purchaser. This summary is not complete and will not control in the event of any conflict with a provision in the Sales Contract. Prospective Purchasers are cautioned and encouraged to read the Sales Contract carefully.

1. In the Sales Contract the developer is called "Seller". The Sales Contract provides for the number, amount and timing of payments Purchaser is to make to Escrow. The Sales Contract provides that Developer will receive any interest earned on Purchaser's deposits, except where the Purchaser cancels the Sales Contract because an effective date for a Final Public Report is not issued before a Contingent Final Public Report expires.
2. The Sales Contract describes the "Property" being sold, including the Apartment, certain limited common elements and certain fixtures.
3. The Sales Contract confirms that Purchaser has had the opportunity to read and approve certain important legal documents for the Project, including the Declaration and the Bylaws. Seller's rights to change the documents are described.
4. The Sales Contract provides that the Seller will complete the Apartment for normal occupancy within two (2) years after the Purchaser signs the Sales Contract but the two year period may be extended for force majeure (causes beyond the Seller's control.)
5. There is no financing contingency. If Purchaser plans to pay any portion of the Total Purchase Price by way of a loan from a Mortgage Lender, Purchaser shall be solely responsible for securing such financing.
6. The Seller reserves certain rights to increase the purchase price because of changes in law or other causes beyond Seller's control. If Seller increases the purchase price Purchaser will have the opportunity to cancel the Sales Contract and receive a refund of deposits.
7. The Seller gives a two year warranty on the improvements and a pass through of manufacturer's warranties on personal property. See Exhibit H the Disclosure Abstract for further details.
8. The Purchaser acknowledges that no representations have been made as to financial benefits of purchase.
9. The Sales Contract discloses possible future interference with views and nuisances from the adjacent golf course and contains a number of disclaimers and indemnities.
10. The Sales Contract has the following presales contingency:

PURCHASER ACKNOWLEDGES AND AGREES THAT SELLER MAY CANCEL THIS SALES CONTRACT IF SELLER HAS NOT OBTAINED BINDING SALES CONTRACTS TO SELL (A) SIX (6) APARTMENTS IN THE BUILDING, IF THE BUILDING IS THE FIRST BUILDING IN THE PROJECT IN WHICH APARTMENTS ARE OFFERED FOR SALE, OR (B) THREE (3) APARTMENTS IN THE BUILDING, IF THE BUILDING IS NOT THE FIRST BUILDING IN THE PROJECT IN WHICH AP ARTMENTS ARE OFFERED FOR SALE, ON OR BEFORE ONE

EXHIBIT J

Summary of Sales Contract

HUNDRED EIGHTY (180) DAYS AFTER THE DATE OF THE FIRST EXECUTED SALES CONTRACT FOR PURCHASE AND SALE OF AN APARTMENT IN THE BUILDING (THE "PRESALE CONTINGENCY"). THE PRESALE CONTINGENCY IS SET BY SELLER IN ITS SOLE AND ABSOLUTE DISCRETION. IF THE PRESALE CONTINGENCY FOR THE BUILDING IS NOT SATISFIED FOR ANY REASON, SELLER SHALL HAVE NO OBLIGATION TO CONSTRUCT ANY PORTION OF THE BUILDING OR TO SELL THE APARTMENT TO PURCHASER, AND PURCHASER'S SOLE REMEDY WILL BE TO TERMINATE THIS SALES CONTRACT, AND RECEIVE A FULL REFUND OF ALL MONIES PAID BY PURCHASER TO SELLER HEREUNDER, WITHOUT INTEREST. THIS PRESALE CONTINGENCY MAY BE WAIVED BY SELLER IN ITS SOLE AND ABSOLUTE DISCRETION.

EXHIBIT J

Summary of Sales Contract

Page 2 of 2

The Escrow Agreement provides how the funds paid by Purchaser under the Sales Contract to Escrow are to be held and released. The Escrow Agreement contains many important provisions which are not set out here and should be carefully reviewed by every prospective Purchaser. This summary is not complete and will not control in the event of any conflict with a provision in the Escrow Agreement. Prospective Purchasers are cautioned and encouraged to read the Escrow Agreement carefully.

1. The Escrow Agreement provides that Escrow is to collect Purchaser's payments and hold them in accounts with banks or savings institutions that are federally insured.

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

3. Escrow handles the closing and the transfer of title in accordance with the Escrow Agreement. The Apartment must be conveyed to Buyer free and clear of any blanket liens, such as mortgages covering more than one apartment.

4. The Escrow Agreement provides certain protections to Escrow in the event of a dispute between Purchaser and the Developer. These rights include filing an "interpleader" and the right to recover certain fees and costs. In an interpleader action the escrow deposit is given to the court to decide what action to take.

5. The Escrow Agreement sets out escrow fees, escrow cancellation fees and the fees for certain policies of title insurance.

EXHIBIT K

Summary of Escrow Agreement