DEVELOPER'S PUBLIC REPORT
FOR A CONDOMINIUM

CONDOMINIUM PROJECT NAME	**HALI`IPUA VILLAS**
Project Address	**Hali`ipua Place** **Kaupulehu-Kona, Hawaii 96740**
Registration Number	**6551**
Effective Date of Report	**April 3, 2008**
Developer(s)	**TDM KA`UPULEHU, LLC** **a Hawaii limited liability company**

Preparation of this Report

The Developer prepared this report to disclose relevant information, including "material facts", that are reasonably known to the Developer about the condominium project covered by this report. This report has been prepared pursuant to the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, as amended from time to time. The law defines "material facts" to mean "any fact, defect, or condition, past or present that to a reasonable person, would be expected to measurably affect the value of the project, unit, or property being offered or proposed to be offered for sale."

This report has not been prepared or issued by the Real Estate Commission or any other governmental agency. The issuance by the Commission of an effective date for this Developer's Public Report (1) does not mean that the Commission approves or disapproves of the project; (2) does not mean that the Commission thinks that either all material facts or all pertinent changes, or both, about the project have been fully or adequately disclosed; and (3) is not the Commission's judgment of the value or merits of the project.

This report may be used by the Developer for promotional purposes only if it is used in its entirety. No person shall advertise or represent that the Commission has approved or recommended the project, this report or any of the documents submitted with Developer's application for registration of this project.

This report will be amended if, after the effective date of this report, any changes, either material or pertinent changes, or both, occur regarding the information contained in or omitted from this report. In that case, the Developer is required to submit immediately to the Commission an amendment to this report or an amended Developer's Public Report, clearly reflecting the changes, including any omitted material facts, together with such supporting information as may be required by the Commission. In addition, the Developer may choose at any time to change or update the information in this report. Annually, at least thirty days prior to the anniversary date of the Effective Date of this report, the Developer shall file an annual report to update the material contained in this report. If there are no changes, the Developer is required to state that there are no changes. The Developer's obligation to amend this report or to file annual reports ends when the initial sales of all units in the project have been completed.

Purchasers are encouraged to read this report carefully and to seek professional advice before signing a sales contract for the purchase of a unit in the project.

Signing a sales contract may legally bind a purchaser to purchase a unit in the project, though a purchaser may have rights to cancel or rescind a sales contract under particular circumstances that may arise.

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

SPECIAL ATTENTION

[Use this page for special or significant matters which should be brought to the purchaser's attention and that are not covered elsewhere in this report.]

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General Information On Condominiums

A condominium is a special form of ownership of real property. To create a condominium in Hawaii after July 1, 2006, the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, must be followed. 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 and/or the building(s) and other improvements are leased to the purchaser. The lease for the land usually requires that at the end of the lease term, the lessees (unit owners) deliver their interest in the land to the lessor (fee property owner).

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

You will be entitled to exclusive ownership and possession of your unit. Subject to the documents governing them, condominium units may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift or operation of law.

Your unit will, however, be part of the group of units that comprise the condominium project. Study the project's Declaration of Condominium Property Regime, Bylaws of the Association of Unit Owners, Condominium Map and House Rules, if any, which are being concurrently delivered to you with this report. These documents contain important information on the use and occupancy of the units and the common elements of the project, as well as the rules and regulations of conduct for unit owners, tenants and guests.

Operation of the Condominium Project

The Association of Unit Owners is the entity through which unit owners may take action with regard to the administration, management and operation of the condominium project. Each unit 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 a unit owner. The Board and officers can take certain actions without the vote of the unit owners. For example, the Board may hire and fire employees, increase or decrease maintenance fees, adopt budgets for revenues, expenses and reserves and regulate the use, maintenance, repair and replacement of common elements. Some of these actions may significantly impact the unit owners.

Until there is a sufficient number of purchasers of units to elect a majority of the Board, it is likely at first 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 purchasers should understand that it is important to all unit owners that the transition of control from the Developer to the unit owners be accomplished in an orderly manner and in a spirit of cooperation.

1. THE CONDOMINIUM PROJECT

1.1 The Underlying Land

Fee Simple or Leasehold Project	[X]	Fee Simple	[ ]	Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	[X]	Yes	[ ]	No
Fee Owner's Name if Developer is not the Fee Owner				
Address of Project	**Hali`ipua Place / Kaupulehu-Kona, Hawaii 96740**			
Address of Project is expected to change because				
Tax Map Key (TMK)	**(3) 7-2-029-028**			
Tax Map Key is expected to change because				
Land Area	**6.180 acres**			
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)				

1.2 Buildings and Other Improvements

Number of Buildings	**4 Residential Buildings / 9 Garage Buildings**
Floors Per Building	**2 / 1**
Number of New Building(s)	**4 Residential Buildings / 9 Garage Buildings**
Number of Converted Building(s)	
Principal Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	**Concrete, wood, steel, glass, masonry, gypsum board, other allied construction materials**

1.3 Unit Types and Sizes of Units

Unit Type	Quantity	BR/Bath	Net Living Area (in sq. ft.)	Net Other Areas (in sq. ft.)	Other Areas (lanai, garage, etc.)	Total Area
A	**2**	**3 / 3.5**	**2,601**	**960 / 521**	**lanai / garage**	**4,082**
AR	**2**	**3 / 3.5**	**2,609**	**931 / 544**	**lanai / garage**	**4,084**
A-1	**2**	**3 / 3.5**	**2,601**	**960 / 544**	**lanai / garage**	**4,105**
AR-1	**2**	**3 / 3.5**	**2,609**	**931 / 521 / 544**	**lanai / garage**	**4,061 / 4,084**
B	**2**	**3 / 3.5**	**2,920**	**1,441 / 544**	**lanai / garage**	**4,905**
B-1	**2**	**3 / 3.5**	**2,920**	**1,441 / 433**	**lanai / garage**	**4,794**
See Exhibit **A** .						

12	**Total Number of Units**

Note: Net Living Area is the floor area of the unit measured from the interior surface of the perimeter walls of the unit. Other documents and maps may give floor area figures that differ from those above because a different method of determining floor area may have been used.

1.4 Parking Stalls

Total Parking Stalls in the Project:	**0**
Number of Guest Stalls in the Project:	**12**
Number of Parking Stalls Assigned to Each Unit:	**2**
Attach Exhibit ____ specifying the Parking Stall number(s) assigned to each unit and the type of parking stall(s) (regular, compact or tandem and indicate whether covered or open). *	
If the Developer has reserved any rights to assign or re-assign parking stalls, describe such rights.	
* **Each Unit has two parking stalls in one of the 9 garage buildings of the Project. The Unit no/s. for each garage building is/are shown on the Condominium Map.**	

1.5 Boundaries of the Units

Boundaries of the unit:

See Exhibit B

1.6 Permitted Alterations to the Units

Permitted alterations to the unit (if the unit is defined as a non-physical or spatial portion of the project, also describe what can be built within such portion of the project):

See Exhibit C

1.7 Common Interest

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

Described in Exhibit **A** .

As follows:

1.8 Recreational and Other Common Facilities (Check if applicable):

☐	Swimming pool
☐	Laundry Area
☐	Storage Area
☐	Tennis Court
☐	Recreation Area
☐	Trash Chute/Enclosure(s)
☐	Exercise Room
☐	Security Gate
☐	Playground
☐	Other (describe):

1.9 Common Elements

Common Elements: Common elements are those parts of the condominium project other than the individual units and any other real estate for the benefit of unit owners. Although the common elements are owned jointly by all unit owners, those portions of the common elements that are designated as limited common elements (see Section 1.10 below) may be used only by those units to which they are assigned. In addition to the common facilities described in Section 1.8 above, the common elements for this project, as described in the Declaration, are set forth below.
Described in Exhibit **D**.
Described as follows:

Common Element	Number
Elevators	**0**
Stairways	**0**
Trash Chutes	**0**

1.10 Limited Common Elements

Limited Common Elements: A limited common element is a portion of the common elements that is reserved for the exclusive use of one or more but fewer than all units in the project.
Described in Exhibit **E**.
Described as follows:

1.11 Special Use Restrictions

The Declaration and Bylaws may contain restrictions on the use and occupancy of the units. Restrictions for this project include, but are not limited to, those described below.	
[X]	Pets: **See Bylaws Article VI, Section 4(d)**
[ ]	Number of Occupants:
[X]	Other: **See House Rules, which set forth various use restrictions**
[ ]	There are no special use restrictions.

1.12 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 a unit in the project. Encumbrances shown may include blanket liens which will be released prior to conveyance of a unit (see Section 5.3 on Blanket Liens).
Exhibit **F** describes the encumbrances against title contained in the title report described below.
Date of the title report: **February 1, 2008**
Company that issued the title report: **Title Guaranty of Hawaii, Incorporated**

1.13 Uses Permitted by Zoning and Zoning Compliance Matters

Uses Permitted by Zoning					
	Type of Use	No. of Units	Use Permitted by Zoning		Zoning
[X]	Residential	**12**	[X] Yes	[ ] No	**Kaupulehu Project District**
[ ]	Commercial		[ ] Yes	[ ] No	
[ ]	Mix Residential/Commercial		[ ] Yes	[ ] No	
[ ]	Hotel		[ ] Yes	[ ] No	
[ ]	Timeshare		[ ] Yes	[ ] No	
[ ]	Ohana		[ ] Yes	[ ] No	
[ ]	Industrial		[ ] Yes	[ ] No	
[ ]	Agricultural		[ ] Yes	[ ] No	
[ ]	Recreational		[ ] Yes	[ ] No	
[ ]	Other(specify)		[ ] Yes	[ ] No	
Is/Are this/these use(s) specifically permitted by the project's Declarations or Bylaws?			[X] Yes	[ ] No	
Variances to zoning code have been granted.			[ ] Yes	[X] No	
Describe any variances that have been granted to zoning code.					

1.14 Other Zoning Compliance Matters

Conforming/Non-Conforming Uses, Structures and Lots
In general, a non-conforming use, structure or lot is a use, structure or lot that was lawful at one time but that does not now conform to present zoning requirements. Under present zoning requirements, limitations may apply to extending, enlarging or continuing the non-conformity and to altering and repairing non-conforming structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed. If a variance has been granted or if uses, structures or lots are either non-conforming or illegal, the purchaser should consult with county zoning authorities as to possible limitations that may apply in situations such as those described above. A purchaser may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure or lot.

	Conforming	Non-Conforming	Illegal
Uses	[X]	[ ]	[ ]
Structures	[X]	[ ]	[ ]
Lot	[X]	[ ]	[ ]

If a non-conforming use, structure or lot exists in this project, this is what will happen under existing laws or codes if the structure is damaged or destroyed:

1.15 Conversions

Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.	☐ **Applicable** ☒ **Not Applicable**
Developer's statement, based upon a report prepared by a Hawaii-licensed architect or engineer, describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the units:	
Developer's statement of the expected useful life of each item reported above:	
List of any outstanding notices of uncured violations of any building code or other county regulations:	
Estimated cost of curing any violations described above:	

Verified Statement from a County Official
Regarding any converted structures in the project, attached as Exhibit ____ is a verified statement signed by an appropriate county official which states that either: (A) The structures are in compliance with all zoning and building ordinances and codes applicable to the project at the time it was built, and specifying, if applicable: (i) Any variances or other permits that have been granted to achieve compliance; (ii) Whether the project contains any legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes; and (iii) Any violations of current zoning or building ordinances or codes and the conditions required to bring the structure into compliance; or (B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.
Other disclosures and information:

1.16 Project In Agricultural District

Is the project in an agricultural district as designated by the land use laws of the State of Hawaii? **If answer is "Yes", provide information below.**	☐ **Yes** ☒ **No**
Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable state and county land use laws? ☐ Yes ☐ No If the answer is "No", provide explanation.	
Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable county real property tax laws? ☐ Yes ☐ No If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.	
Other disclosures and information:	

1.17 Project with Assisted Living Facility

Does the project contain any assisted living facility units subject to Section 321-11(10), HRS? **If answer is "Yes", complete information below.**	☐ **Yes** ☒ **No**
Licensing requirements and the impact of the requirements on the costs, operations, management and governance of the project.	
The nature and the scope of services to be provided.	
Additional costs, directly attributable to the services, to be included in the association's common expenses.	
The duration of the provision of the services.	
Other possible impacts on the project resulting from the provision of the services.	
Other disclosures and information.	

2. PERSONS CONNECTED WITH THE PROJECT

2.1 Developer(s)	Name:	**TDM KA`UPULEHU, LLC**
	Business Address:	**55 Merchant Street, Suite 2900** **Honolulu, Hawaii 96813**
	Business Phone Number:	**808 545-6464**
	E-mail Address:	**luke.mashburn@maryl.com**
Names of officers and directors of developers that are corporations; general partners of a partnership; partners of a limited liability partnership (LLP); or a manager and members of a limited liability company (LLC) (attach separate sheet if necessary).	Managers:	**Tom Connor, Jr.** **Thomas C. Connor** **Mark S. Richards**
2.2 Real Estate Broker	Name: Business Address:	**HUALALAI RESIDENTIAL, LLC** **100 Kaupulehu Drive** **Kailua-Kona, Hawaii 96740**
	Business Phone Number: E-mail Address:	**808 325-8500** **rkildow@hualalairesort.com**
2.3 Escrow Depository	Name:	**TITLE GUARANTY ESCROW SERVICES, INC.**
	Business Address:	**235 Queen Street, 1st Floor** **Honolulu, Hawaii 96813**
	Business Phone Number:	**808 521-0211**
2.4 General Contractor	Name:	**MARYL PACIFIC CONSTRUCTION INC.**
	Business Address:	**55 Merchant Street, Suite 2900** **Honolulu, Hawaii 96813**
	Business Phone Number:	**808 545-2920**
2.5 Condominium Managing Agent	Name: Business Address:	**AUGUSTINE REALTY** **74-240 Nani Kailua Drive, Suite 9** **Kailua-Kona, Hawaii 96740**
	Business Phone Number:	**808 326-7170**
2.6 Attorney for Developer	Name:	**McCORRISTON MILLER MUKAI MacKINNON LLP** **Sharon H. Nishi, Esq.**
	Business Address:	**Five Waterfront Plaza, Suite 400** **500 Ala Moana Boulevard** **Honolulu, Hawaii 96813**
	Business Phone Number:	**808 529-7300**

3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances (Regular System) or filing in the Office of the Assistant Registrar of the Land Court, or both, a Declaration of Condominium Property Regime, a Condominium Map and the Bylaws of the Association of Unit Owners. The Condominium Property Act (Chapter 514B, HRS), the Declaration, Bylaws and House Rules control the rights and obligations of the unit owners with respect to the project and the common elements, to each other, and to their respective units.

3.1 Declaration of Condominium Property Regime

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

Land Court or Bureau of Conveyances	Date of Document	Document Number
	January 28, 2008	**2008-014954**

Amendments to Declaration of Condominium Property Regime		
Land Court or Bureau of Conveyances	Date of Document	Document Number

3.2 Bylaws of the Association of Unit Owners

The Bylaws of the Association of Unit Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Unit 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 that affect how the condominium project will be governed.

Land Court or Bureau of Conveyances	Date of Document	Document Number
	January 28, 2008	**2008-014955**

Amendments to Bylaws of the Association of Unit Owners		
Land Court or Bureau of Conveyances	Date of Document	Document Number

3.3 Condominium Map

The Condominium Map contains a site plan and floor plans, elevations and layout of the condominium project. It also shows the floor plan, unit number and dimensions of each unit.

Land Court Map Number	
Bureau of Conveyances Map Number	**4578**

Dates of Recordation of Amendments to the Condominium Map:

3.4 House Rules

The Board of Directors may adopt rules and regulations (commonly called "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. Changes to House Rules do not need to be recorded to be effective.			
The House Rules for this project:			
Are Proposed		☐	
Have Been Adopted and Date of Adoption		X	**January 28, 2008**
Developer does not plan to adopt House Rules		☐	

3.5 Changes to the Condominium Documents

Changes to Condominium Documents: Changes to the Declaration, Bylaws and Condominium Map are effective only if they are duly adopted and recorded. Where permitted, the minimum percentages of the common interest that must vote for or give written consent to changes to the Declaration, Bylaws and Condominium Map are set forth below. The percentages for any individual condominium project may be more than the minimum set by law if the Declaration or Bylaws for the project so provide.

Document	Minimum Set by Law	This Condominium
Declaration	67%	**67%**
Bylaws	67%	**67%**

3.6 Rights Reserved by the Developer to Make Changes to the Condominium Project or Condominium Documents

☐	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
X	Developer has reserved the right to change the Declaration, Bylaws, Condominium Map and House rules (if any) and to add to or merge the project or to develop the project in one or more phases, and such rights are summarized as follows: **The Developer may amend the Declaration, By-Laws and Condominium Map (a) at any time prior to the recording of the first Unit conveyance to a party not signatory to the Declaration; (b) until the recordation in the Bureau of Conveyances of the State of Hawaii of Unit conveyances or agreements of sale with respect to all of the Units in the Project, to make any amendments required by law, by the Real Estate Commission of the State of Hawaii, by any title insurer issuing title insurance on the Project or any of the Units, by any institutional lender funds on the security of the Project or any of the apartments, or by any governmental agency; (c) to file the "as built" verified statement required by Section 514B-34(a), HRS.**

4. CONDOMINIUM MANAGEMENT

4.1 Management of the Common Elements

Management of the Common Elements: The Association of Unit 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.

The Initial Condominium Managing Agent for this project is (check one):	
[X]	Not affiliated with the Developer
[ ]	None (self-managed by the Association)
[ ]	The Developer or an affiliate of the Developer
[ ]	Other (explain)

4.2 Estimate of the Initial Maintenance Fees

Estimate of the Initial Maintenance Fees: The Association will make assessments against your unit 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 unit and the unit may be sold through a foreclosure proceeding. Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.
Exhibit **G** contains a breakdown of the estimated annual maintenance fees and the monthly estimated maintenance fee for each unit, certified to have been based on generally accepted accounting principles, with the Developer's statement as to when a unit owner shall become obligated to start paying the unit owner's share of the common expenses.

4.3 Utility Charges to be Included in the Maintenance Fee

If checked, the following utilities are included in the maintenance fee:	
[X]	Electricity for the common elements
[X]	Gas for the common elements
[X]	Water **for the common elements**
[ ]	Sewer
[ ]	TV cable
[X]	Other (specify) **Refuse collection**

4.4 Utilities to be Separately Billed to Unit Owner

If checked, the following utilities will be billed to each unit owner and are not included in the maintenance fee:	
[X]	Electricity for the Unit only
[X]	Gas for the Unit only
[X]	Water **for the Unit only**
[X]	Sewer
[X]	TV cable
[ ]	Other (specify)

5. SALES DOCUMENTS

5.1 Sales Documents Filed with the Real Estate Commission

Sales Documents on file with the Commission include, but are not limited to, the following:	
[X]	Specimen Sales Contract Exhibit H contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.
[X]	Escrow Agreement dated: Name of Escrow Company: Exhibit I contains a summary of the pertinent provisions of the escrow agreement.
[ ]	Other

5.2 Sales to Owner-Occupants

If this project contains three or more residential units, the Developer shall designate at least fifty percent (50%) of the units for sale to Owner-Occupants.

[X]	The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B.
[ ]	Developer has designated the units for sale to Owner-Occupants in this report. See Exhibit ____.
[X]	Developer has or will designate the units for sale to Owner-Occupants by publication.

5.3 Blanket Liens

Blanket Liens: A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project or more than one unit that secures some type of monetary debt (such as a loan) or other obligation. Blanket liens (except for improvement district or utility assessments) must be released as to a unit before the developer conveys the unit to a purchaser. The purchaser's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the unit to the purchaser.	
[ ]	There are no blanket liens affecting title to the individual units.
[X]	There are blanket liens that may affect title to the individual units.

Type of Lien	Effect on Purchaser's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance
Mortgage	**See Exhibit J**

5.4 Construction Warranties

Construction Warranties: Warranties for individual units and the common elements, including the beginning and ending dates for each warranty (or the method of calculating them), are as set forth below:
Building and Other Improvements: **See Exhibit K**
Appliances: **See Exhibit K**

5.5 Status of Construction, Date of Completion or Estimated Date of Completion

Status of Construction: **The estimated date of completion of construction of the Project is July 31, 2008. Actual dates of completion of construction of the individual Units in the Project may vary.**
Completion Deadline: If a sales contract for a unit is signed before the construction of the unit has been completed, or, in the case of a conversion, completion of any repairs, does not occur by the completion deadline set forth below, one of the remedies available to a purchaser is a cancellation of the purchaser's sales contract. The sales contract may include a right of the Developer to extend the completion deadline for force majeure as defined in the sales contract. The sales contract may also provide additional remedies for the purchaser.
Completion Deadline for any unit not yet constructed, as set forth in the sales contract: **Construction of the Unit shall be completed within 2 years from the date the sales contract therefor becomes a binding contract in accordance with HRS Section 514B-86; provided that such period shall be extended for any period of time that construction is delayed for reasons beyond the control of the Developer.**
Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract:

5.6 Developer's Use of Purchaser Deposits to Pay for Project Construction Costs Before Closing or Conveyance

The Developer is required to deposit all moneys paid by purchasers in trust under a written escrow agreement with a Hawaii licensed escrow depository. Escrow shall not disburse purchaser deposits to the Developer or on behalf of the Developer prior to closing, except if a sales contract is canceled or if Developer has met certain requirements, which are described below.

5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance

☐	The Developer hereby declares by checking the box to the left that it shall use its own funds to complete the construction of the condominium project by the date indicated in Section 5.5 of this report, and the Developer, pursuant to its own analysis and calculations, certifies that it has sufficient funds to complete the construction of the condominium project. If the box to the left is checked, Sections 5.6.2 and 5.7, which follow below, will not be applicable to the project.

5.6.2 Purchaser Deposits Will Be Disbursed Before Closing

Hawaii law provides that, if certain statutory requirements are met, purchaser deposits in escrow under a binding sales contract may be used before closing to pay for certain project costs. For this project, the Developer indicates that purchaser deposits may be used for the following purposes (check applicable box):	
☒	For new construction: to pay for project construction costs described in the Developer's budget and approved by the Developer's lender or an otherwise qualified, financially disinterested person; or
☐	For conversions: to pay for repairs necessary to cure violations of county zoning and building ordinances and codes, for architectural, engineering, finance and legal fees, and for other incidental expenses.

In connection with the use of purchaser deposits (check Box A or Box B):

Box A ☐	The Developer has submitted all information and documents required by law and the Commission prior to the disbursement of purchaser deposits before closing. This means that the Developer may use such deposits before closing. If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report. If Box A is checked, you should read and carefully consider the following notice, which is required by law: **Important Notice Regarding Your Deposits: Deposits that you make under your sales contract for the purchase of the unit may be disbursed before closing of your purchase to pay for project costs, construction costs, project architectural, engineering, finance, and legal fees, and other incidental expenses of the project. While the developer has submitted satisfactory evidence that the project should be completed, it is possible that the project may not be completed. If your deposits are disbursed to pay project costs and the project is not completed, there is a risk that your deposits will not be refunded to you. You should carefully consider this risk in deciding whether to proceed with your purchase.**
Box B ☒	The Developer has **not** submitted all information and documents required by law and the Commission, and, until all such information and documents are submitted, thus, the Developer cannot use purchaser deposits. If the Developer later submits all information and documents required by law and the Commission for the use of purchaser deposits, then the Developer must provide an amendment to this report or an amended developer's public report to each purchaser who has signed a sales contract. At such time, the **Important Notice Regarding Your Deposits** set forth immediately above will apply to all purchasers and will be restated in the amendment to this report or an amended developer's public report. When an effective date for such an amendment or an amended developer's public report is issued, **you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment**. (This, however, does not affect your right to rescind for material changes or any other right you may have to rescind or cancel the sales contract, as described in Section 5.8 below.) If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report. You should understand that, although the **Important Notice Regarding Your Deposits** set forth above does not currently apply to you, it might apply to you in the future, and, therefore, you should read and carefully consider it now to ensure that you understand the risk involved in deciding whether to proceed with your purchase.

Material House Bond. If the Developer has submitted to the Commission a completion or performance bond issued by a material house instead of a surety as part of the information provided prior to the use of purchaser deposits prior to closing or conveyance of a unit, the Developer shall disclose the same below and disclose the impact of any restrictions on the Developer's use of purchaser deposits.

5.7 Rights Under the Sales Contract

Before signing the sales contract, prospective purchasers should carefully review all documents relating to the project. These include but are not limited to the documents listed below. Items 2, 3 and 4 are made a part of this public report, as well as Item 5, if any, and are being delivered to you with this report.	
1.	**Developer's Public Report**
2.	**Declaration of Condominium Property Regime (and any amendments)**
3.	**Bylaws of the Association of Unit Owners (and any amendments)**
4.	**Condominium Map (and any amendments)**
5.	House Rules, if any
6.	Escrow Agreement
7.	Hawaii's Condominium Property Act (Chapter 514B, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended), provided that rules and regulations under Chapter 514B have not yet been adopted.
8.	Other: **Master Declaration of Protective Covenants, Conditions and Restrictions and Reservation of Easements for Hualalai at Historic Ka`upulehu**

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 514B, HRS) and the Administrative Rules (Chapter 107, HAR), are available online. Please refer to the following sites:

	Website to access official copy of laws: www.capitol.hawaii.gov
	Website to access rules: www.hawaii.gov/dcca/har

5.8 Purchaser's Right to Cancel or Rescind a Sales Contract

A purchaser's right to cancel a sales contract or to rescind a sales contract may arise under varying circumstances. In the sections below, some circumstances that will give rise to a purchaser's right to cancel or rescind are described, together with what a purchaser must do if the purchaser wishes to exercise any of the rights.

5.8.1 When a Sales Contract becomes Binding and Purchaser's 30-Day Right to Cancel a Sales Contract

A sales contract signed by a purchaser and the developer will not become binding on a purchaser or the Developer until the following events have taken place:

(1) The purchaser has signed the sales contract.

(2) The Developer has delivered to the purchaser a true copy of the developer's public report with an effective date issued by the Commission, together with all amendments to the report as of the date of delivery, and the project's recorded Declaration and Bylaws, House Rules (if any), the Condominium Map and any amendments to them to date (all of which are a part of the developer's public report). If it is impracticable to include a letter-sized Condominium Map, the Developer must provide written notice of an opportunity to examine the Condominium Map.

(3) The Developer has delivered to the purchaser a notice of the purchaser's 30-day cancellation right on a form prescribed by the Commission.

(4) The purchaser does at least one of the following:

(a) Waives the purchaser's right to cancel the sales contract within 30 days from receipt of the notice of the purchaser's 30-day cancellation right; or

(b) Allows the 30-day cancellation period to expire without exercising the right to cancel; or

(c) Closes the purchase of the unit before the 30-day cancellation period expires.

The purchaser or the Developer may cancel the sales contract at any time during the 30-day cancellation period, and the sales contract will be canceled and the purchaser's deposits returned to the purchaser, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of $250.

5.8.2 Right to Cancel a Sales Contract if Completion Deadline Is Missed

In addition to the purchaser's 30-day cancellation right described in Section 5.8.1 above, when a sales contract is signed before completion of construction of a project, the purchaser will have the right to cancel if the unit is not completed by certain deadlines. In conversion projects, there must be a deadline for completion of any required repairs. Every sales contract shall contain an agreement of the Developer that the completion of construction shall occur on or before the completion deadline, and that completion deadline is set forth in this report in Section 5.5. The sales contract shall provide that the purchaser may cancel the sales contract at any time after the specified completion deadline, if completion of construction does not occur on or before the completion deadline, as the same may have been extended. Upon a cancellation, the purchaser's deposits shall be refunded, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of $250.00.

5.8.3 Purchaser's Right to Rescind a Binding Sales Contract After a Material Change

If a "material change" in a project occurs after a purchaser has signed a sales contract that has become binding, the purchaser will have a 30-day right to rescind after notification and description of the material change. A material change is defined in the Condominium Property Act to be any change that "directly, substantially and adversely affects the use or value of (1) a purchaser's unit or appurtenant limited common elements; or (2) those amenities of the project available for the purchaser's use."

The purchaser will be informed of the material change by the developer on a form prescribed by the Commission containing a description of the material change.

After notice of the material change, the purchaser may waive the right to rescind by:

(1) Checking the waiver box on the rescission form; or

(2) Letting the 30-day rescission period expire, without taking any action to rescind; or

(3) Closing the purchase of the unit before the 30-day rescission period expires.

The rescission form must be signed by all purchasers of the affected unit and delivered to the developer no later than midnight of the 30th calendar day after the purchasers received the rescission form from the developer. Purchasers who validly exercise the right of rescission shall be entitled to a prompt and full refund of any moneys paid.

A rescission right shall not apply in the event of any additions, deletions, modifications and reservations including, without limitation, the merger or addition or phasing of a project, made pursuant to the terms of the project's Declaration.

These provisions shall not preclude a purchaser from exercising any rescission rights pursuant to a contract for the sale of a unit or any applicable common law remedies.

6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT

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

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

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

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

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

6. **Environmental Issues - Mold**. Climatic conditions where the Project is located are conducive to the growth of mold and other types of potentially irritating or harmful growths (collectively "Mold"). Mold can be irritating or harmful to the respiratory tract of certain individuals and can cause deterioration of property. By acquiring a Unit and an interest in the Project, each buyer will assume the risk that Mold may be present from time to time in the buyer's Unit or elsewhere at the Project and the buyer will be deemed to have waived any rights, claims or actions the buyer may have or acquire against the Developer as a result of or in any way related to Mold in the Unit or elsewhere at the Project.

7. **Volcanic Activity**. The Project is located on the Island of Hawaii, an island that has been formed as a result of volcanic eruptions and other activity. The Project's land is located within a volcanic rift zone and is subject to potential earthquakes and lava flows. In the event of volcanic eruptions, the Project may be subject to volcanic haze, unpleasant odors and other inconveniences, including possible destruction of the Project. By acquiring a Unit and an interest in the Project, each buyer will be deemed to have accepted such conditions and waived any rights, claims or actions the buyer may have or acquire against the Developer as a result of or in any way related to such conditions.

8. **Views**. Views that may be available from the Unit now or hereafter may change or may not continue to be available in the future. By accepting title to a Unit, the buyer will not acquire a view easement or view plane easement or any other right or entitlement of any kind to have or enjoy or retain any views whatsoever from the Unit or from anywhere else at the Project. By acquiring a Unit and an interest in the Project, each buyer will be deemed to have acknowledged and accepted that the Unit is being conveyed with no warranties or guarantees whatsoever as to the availability of views from the Unit.

The Developer declares subject to the penalties set forth in Section 514B-69, HRS, that this project conforms to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located, all in accordance with Sections 514B-5 and 32(a)(13), HRS.

For any conversion, if any variances have been granted, they are specified in Section 1.14 of this report, and, if purchaser deposits are to be used by the Developer to cure any violations of zoning, permitting requirements or rules of the county in which the project is located, the violation is specified in Section 1.15 of this report, along with the requirements to cure any violation, and Section 5.5 specifies the date by which the cure will be completed.

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 purchasers 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. The Developer hereby agrees promptly to amend this report to report and include either or all material facts, material or pertinent changes to any information contained in or omitted from this report and to file annually a report to update the material contained in this report at least 30 days prior to the anniversary date of the effective date of this report.

TDM KA`UPULEHU, LLC
Printed Name of Developer

By: _____ 1-28-08
Duly Authorized Signatory* Date

MARK S. RICHARDS - GEN. PART.
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; for a partnership or limited liability partnership (LLP) by the general partner; for a limited liability company (LLC) by the manager or an authorized member; and for an individual by the individual.**

THE UNITS

UNIT NO.	UNIT TYPE	RES. BLDG. NO.	GARAGE NO.	GARAGE BLDG. NO.	ENTRY TRELLIS NO.	ENTRY PORTAL NO.	COURT-YARD NO.	GARDEN COURT NO.	MOTOR COURT NO.	UTILITY ENCL NO.	APPROX. NET ENCL. LIVING FLOOR AREA IN SQ. FT.	APPROX. NET LANAI FLOOR AREA IN SQ. FT.	APPROX. NET TOTAL FLOOR AREA IN SQ. FT.	COMMON INTEREST
1	AR-1	MF-1	1G	MF-G1	1ET			1GC	1MC	1U	2609	931	3,540	0.077
2	B-1	MF-1	2G	MF-G2		2EP	2CY	2GC	2MC	2U	2920	1441	4,361	0.095
3	A-1	MF-1	3G	MF-G3	3ET			3GC	3MC	3U	2601	960	3,561	0.078
4	AR-1	MF-2	4G	MF-G3	4ET			4GC	4MC	4U	2609	931	3,540	0.077
5	B-1	MF-2	5G	MF-G4		5EP	5CY	5GC	5MC	5U	2920	1441	4,361	0.095
6	A-1	MF-2	6G	MF-G5	6ET			6GC	6MC	6U	2601	960	3,561	0.078
7	A	MF-3	7G	MF-G5	7ET			7GC	7MC	7U	2601	960	3,561	0.078
8	B	MF-3	8G	MF-G6		8EP	8CY	8GC	8MC	8U	2920	1441	4,361	0.095
9	AR	MF-3	9G	MF-G7	9ET			9GC	9MC	9U	2609	931	3,540	0.077
10	A	MF-4	10G	MF-G7	10ET			10GC	10MC	10U	2601	960	3,561	0.078
11	B	MF-4	11G	MF-G8		11EP	11CY	11GC	11MC	11U	2920	1441	4,361	0.095
12	AR	MF-4	12G	MF-G9	12ET			12GC	12MC	12U	2609	931	3,540	0.077

BOUNDARIES OF EACH UNIT

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

PERMITTED ALTERATIONS TO UNITS

Except as otherwise provided in the Declaration of Condominium Property Regime for the Project (the "Declaration"), restoration, repair or replacement of the Project or of any Improvement (as defined in the By-Laws of the Association of Unit Owners of the Project (the "By-Laws")) or construction of any additional Improvement or structural alteration or addition to any structure, different in any material respect from the Condominium Map for the Project (the "Condominium Map"), shall be undertaken by the Association of Unit Owners of the Project (the "Association") or any Unit owners only pursuant to an amendment of the Declaration, duly executed by or pursuant to the affirmative vote of the owners of Units to which are appurtenant at least sixty-seven percent (67%) of the Common Interest (as defined in the "Declaration") and accompanied by the written consent of the holders of all liens affecting any of the Units, and in accordance with all of the requirements of Paragraph 6 of Section I of the Declaration, and promptly upon completion of such restoration, replacement or construction, the Association shall duly file of record such amendment, together with a complete set of floor plans of the Project as so altered, certified as built by a registered architect or professional engineer; PROVIDED, HOWEVER, that the installation of solar energy devices shall be allowed on the buildings pursuant to the provisions in Section 196-7, Hawaii Revised Statutes; and PROVIDED, FURTHER, that notwithstanding any other provision in the Declaration to the contrary, the owner of a Unit may make any alterations or additions within a Unit and the owner of any two adjoining Units may alter or remove all or portions of the intervening walls, at such owner's expense, if such alterations or additions are not visible from the exterior of the Units and if the structural integrity of the building is not thereby affected. The alterations or additions permitted by the immediately preceding proviso shall require only the written approval thereof, including approval of the Unit owner's plans therefor, by the Institutional Holders (as defined in the By- Laws) for such Unit (if the Institutional Holders require such approval), by the appropriate agencies of the State of Hawaii and the County of Hawaii if such agencies so require, by the Master Development Review Board or its delegate, by the Board of Directors of the Association, and by all other Unit owners thereby directly affected (as determined in a reasonable manner by the Board of Directors) and such alterations or additions may be undertaken without an amendment to the Declaration or filing of a complete set of floor plans of the Project as so altered. Prior to the termination of the common ownership of any two adjoining Units, if the intervening walls shall have been altered or removed pursuant to the foregoing provision and any entrances sealed, the owner of such Unit shall restore such intervening walls and entrances to substantially the same condition in which they existed prior to such alteration or removal.

Notwithstanding any other provision in the Declaration to the contrary, prior to (a) the time that all Units in the Project have been sold and recorded and (b) the filing by the Developer of the "as-built" verified statement (with plans, if applicable) required by Section 514B-34(a) of the Hawaii Revised Statutes, the Developer shall have the right to make alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any Unit owner, which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any Unit (and the limited common elements appurtenant thereto) in the Project which is not sold and recorded; or to make other alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any Unit owner, which make minor changes in any Unit in the Project or the common elements which do not affect the physical location, design or size of any Unit which has been sold and recorded, including, without limitation, changes to the metes and bounds or dimensions of the limited common elements; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in Paragraph 3 of Section S of the Declaration. As used herein, the term "sold and recorded" shall mean and refer to the sale of Units in the Project, and the recordation in the Bureau of Conveyances of the State of Hawaii of Unit conveyances transferring interests in the Units from the Developer to parties not signatory to the Declaration.

COMMON ELEMENTS

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

1. The Land in fee simple;

2. All foundations, columns, girders, beams, footings, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, roofs, walkways, entrances, entry ways and exits of all residential buildings of the Project;

3. All foundations, columns, girders, beams, footings, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, and roofs of all garage buildings of the Project;

4. All walkways, roadways, sidewalks, perimeter walls, retaining walls, fences (if any), gates (if any), driveways, yards, gardens, grounds and landscaping;

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

6. The twelve (12) uncovered guest parking stalls located in the parking areas of the Project, all as shown on the Condominium Map;

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

8. The limited common elements described in Exhibit E to this Developer's Public Report.

LIMITED COMMON ELEMENTS

1. Each of the spaces within the perimeter walls, interior walls, floors and ceilings of that certain half of each of Garage Buildings MF-G1, MF-G2, MF-G3, MF-G4, MF-G5, MF-G6, MF-G7, MF-G8 and MF-G9, designated on the Condominium Map as Garage Nos. 1G, 2G, 3G, 4G, 5G, 6G, 7G, 8G, 9G, 10G, 11G and 12G, including the inner decorated or finished surfaces of all walls, floors and ceilings, the storage closets located therein, all windows (if any), window frames (if any), louvers (if any), shutters (if any), doors and door frames along the perimeter of such garages, shall be a limited common element appurtenant to and reserved for the exclusive use of the Unit to which it is assigned, as set forth in Exhibit A to this Developer's Public Report;

2. Each of the entry trellises within the Project, designated on the Condominium Map as Entry Trellis Nos. 1ET, 3ET, 4ET, 6ET, 7ET, 9ET, 10ET and 12ET, shall be a Limited Common Element appurtenant to and reserved for the exclusive use of the Unit to which it is assigned, as set forth in Exhibit A to this Developer's Public Report;

3. Each of the entry portals within the Project, designated on the Condominium Map as Entry Portal Nos. 2ET, 5ET, 8ET and 11ET, shall be a Limited Common Element appurtenant to and reserved for the exclusive use of the Unit to which it is assigned, as set forth in Exhibit A to this Developer's Public Report;

4. Each of the courtyard areas within the Project, designated on the Condominium Map as Courtyard Nos. 2CY, 5CY, 8CY, and 11CY, shall be a Limited Common Element appurtenant to and reserved for the exclusive use of the Unit to which it is assigned, as set forth in Exhibit A to this Developer's Public Report;

5. Each of the garden court areas within the Project, designated on the Condominium Map as Garden Court Nos. 1GC, 2GC, 3GC, 4GC, 5GC, 6GC, 7GC, 8GC, 9GC, 10GC, 11GC and 12GC, shall be a Limited Common Element appurtenant to and reserved for the exclusive use of the Unit to which it is assigned, as set forth in Exhibit A to this Developer's Public Report;

6. Each of the motor court areas within the Project, designated on the Condominium Map as Motor Court Nos. 1MC, 2MC, 3MC, 4MC, 5MC, 6MC, 7MC, 8MC, 9MC, 10MC, 11MC and 12MC, shall be a Limited Common Element appurtenant to and reserved for the exclusive use of the Unit to which it is assigned, as set forth in Exhibit A to this Developer's Public Report;

7. Each of the utility enclosure areas within the Project, designated on the Condominium Map as Utility Enclosure Nos. 1U, 2U, 3U, 4U, 5U, 6U, 7U, 8U, 9U, 10U, 11U and 12U, shall be a Limited Common Element appurtenant to and reserved for the exclusive use of the Unit or Units to which it is assigned, as set forth in Exhibit A to this Developer's Public Report;

8. Any walkway, stairway, entrance, entryway, exit, porch or steps which would normally be used only for the purposes of ingress to and egress from a specific Unit or Units shall be a Limited Common Element appurtenant to and reserved for the exclusive use of such Unit or Units;

9. Any mailbox assigned to a Unit by the Developer or the Association shall be a Limited Common Element appurtenant to and reserved for the exclusive use of such Unit.

ENCUMBRANCES AGAINST TITLE

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

2. The terms and provisions contained in the following:

INSTRUMENT : MASTER DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR HUALALAI AT HISTORIC KA'UPULEHU

DATED : May 9, 1996
RECORDED : Document No. 96-109954

The foregoing includes, but is not limited to, matters relating to water reservation in favor of Developer, and association liens which may be superior to any first mortgages.

Said Declaration was supplemented by SUPPLEMENTAL DECLARATION ANNEXING PROPERTY, dated September 14, 2004, recorded as Document No. 2004-203824.

By ASSIGNMENT OF DECLARANT RIGHTS dated June 1, 2006, recorded as Document No. 2006-102131, all right, title and interest of KAUPULEHU MAKAI VENTURE, a California general partnership, in, to and under said Declaration, was assigned to HUALALAI INVESTORS, LLC, a Delaware limited liability company.

Said Declaration was further supplemented by instrument dated December 20, 2007, recorded as Document No. 2007-221510. Joinder in and Consent to Supplemental Declaration Dedicating Property (Hali'ipua Villas) given by iSTAR FINANCIAL INC., a Delaware corporation, "Mortgagee", dated December 20, 2007, recorded as Document No. 2007-221511.

3. CERTIFICATE OF CONDITIONS dated September 9, 2002, recorded as Document No. 2002-163220, by KAUPULEHU DEVELOPMENTS, a Hawaii registered general partnership, "Petitioner". Consent given by the TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP, "Fee Simple Owner", recorded as Document No. 2002-163221.

4. The terms and provisions contained in the UNRECORDED PURCHASE AND SALE AGREEMENT dated effective as of November 26, 2006, by and between HUALALAI INVESTORS, LLC, a Delaware limited liability company, and TDM KA`UPULEHU, LLC, a Hawaii limited liability company.

SUBORDINATION AGREEMENT

DATED : August 8, 2007
RECORDED : Document No. 2007-142270 Thru 2007-142271

Subordinates said above UNRECORDED PURCHASE AND SALE AGREEMENT to the lien of that certain MORTGAGE AND FIXTURE FILING recorded as Document No(s). 2007-142267.

5. The terms and provisions contained in the following:

INSTRUMENT	:	LIMITED WARRANTY DEED
DATED	:	August 6, 2007
RECORDED	:	Document No. 2007-142266

The foregoing includes, but is not limited to, matters relating to easements and water reservations.

6. MORTGAGE AND FIXTURE FILING

LOAN/ACCOUNT NO. 1465:01

MORTGAGOR	:	TDM KA'UPULEHU, LLC, a Hawaii limited liability company
MORTGAGEE	:	iSTAR FINANCIAL INC., a Delaware corporation
DATED	:	August 8, 2007
RECORDED	:	Document No. 2007-142267
AMOUNT	:	$27,100,000.00

7. The terms and provisions contained in the following:

INSTRUMENT	:	ASSIGNMENT OF RENTS (AND LEASES)
DATED	:	August 8, 2007
RECORDED	:	Document No. 2007-142268
PARTIES	:	TDM KA`UPULEHU, LLC, a Hawaii limited liability company, "Assignor", and iSTAR FINANCIAL INC., a Delaware corporation, "Assignee"
RE	:	to secure the repayment of that certain Secured Promissory Note in the principal amount of $27,100,000.00

8. FINANCING STATEMENT

DEBTOR	:	TDM KA`UPULEHU, LLC, a Hawaii limited liability company
SECURED PARTY	:	iSTAR FINANCIAL INC., a Delaware corporation
RECORDED	:	Document No. 2007-142269
RECORDED ON:		August 8, 2007

9. The terms and provisions contained in the following:

INSTRUMENT : DECLARATION OF CONDOMINIUM PROPERTY REGIME OF HALI`IPUA VILLAS

DATED : January 28, 2008
RECORDED : Document No. 2008-014954
MAP NO. : 4578

Consent given by iSTAR FINANCIAL INC., a Delaware corporation, dated January 18, 2008.

10. The terms and provisions contained in the following:

INSTRUMENT : BY-LAWS OF THE ASSOCIATION OF UNIT OWNERS OF HALI`IPUA VILLAS

DATED : January 28, 2008
RECORDED : Document No. 2008-014955

Consent given by iSTAR FINANCIAL INC., a Delaware corporation, dated January 18, 2008.

11. Encroachments or any other matters which a correct survey would disclose.

12. Any lien (or claim of lien) for services, labor or material arising from an improvement or work related to the Land.

ESTIMATED COMMON EXPENSES
AND
ESTIMATED INITIAL MAINTENANCE FEES

BREAKDOWN OF ESTIMATED ANNUAL COMMON EXPENSES; ESTIMATED INITIAL MAINTENANCE FEES FOR EACH UNIT:

Attached to this Exhibit G as Exhibit G-1 is a breakdown of the estimated annual common expenses and the estimated initial maintenance fees for each Unit in the Project for the one-year period commencing January 1, 2008, prepared by Augustine Realty, a Hawaii general partnership,. The attached breakdown of the estimated annual common expenses and the estimated initial maintenance fees for each Unit in the Project are subject to change based on actual costs of the items listed. The Developer can make no assurances regarding the estimated maintenance fee assessments. Variables such as inflation, uninsured casualty loss or damage, increased or decreased services from those contemplated by the Developer, Unit owner delinquencies and other factors may cause the maintenance fee assessments to be greater or less than the estimated maintenance fee assessments. The estimated initial maintenance fee amount for each Unit contained in Exhibit G-1 does not include the Buyer's obligation for the payment of the Hualalai Community Association dues ($4,085.00 per year as of January 2008) or real property taxes, and does not include or otherwise take into account the one-time "start-up" fee required to be paid in addition to the normal maintenance charges. Estimates of the real property taxes will be provided by the Developer upon request.

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

TEMPORARY ASSUMPTION BY DEVELOPER OF ACTUAL COMMON EXPENSES:

The Developer will assume all the actual common expenses of the Project (and therefore a Unit owner will not be obligated for the payment of its respective share of the common expenses) until such time as the Developer sends the Unit owners written notice that, after a specified date, the Unit owners shall be obligated to pay for the portion of common expenses that is allocated to their respective Units; provided, however, that such notice shall be mailed to the Unit owners, the Association of Unit Owners of Hali`ipua Villas (the "Association") and the managing agent for the Association at least thirty (30) days before the specified date. The Developer shall have no obligation to pay for any cash reserves or any other reserve amounts with respect to or attributable to the period during which the Developer assumes the actual common expenses of the Project.

HUALALAI COMMUNITY ASSOCIATION DUES:

Each Unit owner will be required to be a member of the Hualalai Community Association. As such member, each Unit owner will be required to pay Hualalai Community Association annual dues. The Hualalai Community Association dues were $4,085.00 per year as of January 2008.

CERTIFICATE

Augustine Realty, condominium managing agent for the Hali`ipua Villas condominium project (the "Project"), hereby certifies that the annual operating budget and the estimates of the initial maintenance fee assessments against the owner(s) of each of the Units in the Project set forth in this Exhibit G to the Developer's Public Report for the Project were prepared in accordance with generally accepted accounting principles.

DATED: This 22 day of January, 2008.

AUGUSTINE REALTY

By _____
Name: Katherine Augustine
Title: Partner

Subscribed and sworn to before me
this 22 day of January, 2008.

WENDY MARTINEZ
NOTARY
PUBLIC
STATE OF HAWAII

_____
Print Name: Wendy Martinez
Notary Public, State of Hawaii

My Commission expires: May 25, 2011

EXHIBIT G-1

HALI`IPUA VILLAS

ESTIMATED COMMON EXPENSES

January 2008

	MONTHLY	ANNUAL
Utilities and Services		
Electricity --Common Elements only	$ 243.00	$ 2,916.00
Water & Sewer	4,995.00	59,940.00
Pest Control -- Exterior	350.00	4,200.00
Refuse	427.00	5,124.00
Maintenance. Repairs and Supplies		
Buildings	577.00	6,924.00
Grounds -- Landscaping	23,250.00	279,000.00
Management		
Management Fees	1,645.00	19,740.00
Office Expense	83.00	996.00
Legal Expenses	50.00	600.00
Reserve Study	167.00	2,004.00
Audit Fees	165.00	1,980.00
Insurance	10,352.00	124,224.00
Reserves (*)	3,000.00	36,000.00
TOTAL DISBURSEMENTS	$ 45,304.00	$ 543,648.00

(*) Pursuant to Section 514B-148, Hawaii Revised Statutes, a new association need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

EXHIBIT G-1

HALI`IPUA VILLAS

ESTIMATED INITIAL MAINTENANCE FEES FOR EACH UNIT

January 2008

UNIT TYPE	ESTIMATED MONTHLY MAINT. FEES	ESTIMATED ANNUAL MAINT. FEES
A	$ 3,533.71	$ 42,404.52
AR	$ 3,488.41	$ 41,860.92
A-1	$ 3,533.71	$ 42,404.52
AR-1	$ 3,488.41	$ 41,860.92
B	$ 4,303.88	$ 51,646,56
B-1	$ 4,303.88	$ 51,646,56

In addition, each Unit owner shall pay the Hualalai Community Association annual dues ($4,085.00 as of January 2008).

SUMMARY OF SALES AGREEMENT

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

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

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

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

2. Buyer will pay for the following closing costs: 50% of the escrow fee, 100% of the costs to be charged by the Title Company for the preliminary title report and the Title Policy, any costs of drafting a mortgage and note, all of Buyer's notary fees, all recording fees, all other costs customarily charged to Buyers in residential real estate transactions in the State of Hawaii, and all other costs and fees to be paid by Buyer under the terms of the Sales Agreement. At Pre-Closing, Buyer will also prepay maintenance assessments for a period of one (1) month to the Association of Unit Owners of the Project; and (b) prepay real property taxes for the remainder of the tax year, prorated as of the date of Final Closing. Maintenance assessments for the Hualalai Community Association, other taxes and assessments, and any other expenses shall also be prorated between Seller and Buyer as of the date of Final Closing.

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

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

sole discretion of Seller. For example, if Seller offers Buyer a choice of colors on certain materials, the number and range of colors may be limited by Seller.

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

6. Seller makes no warranties itself, but Seller agrees that the closing of the sale of the Unit shall constitute an assignment by Seller to Buyer of any and all warranties given to Seller by the contractor(s) for the Project in connection with the Unit, including any contractor's agreement to promptly correct any of its work found to be defective or not in conformance with the Construction Contract following the "Date of Substantial Completion of the Work", as defined in the Construction Contract. The benefit of such an agreement shall accrue to Buyer on the date of Final Closing without further instruments or documents. Seller shall cooperate with Buyer during the effective period of such agreement in asserting any claims based on any such warranty. Seller is not adopting the contractor's warranty or acting as co-warrantor, but is merely attempting to pass through to Buyer the benefit of such contractor's warranty, if any. The closing of the sale of the Unit shall also constitute the assignment by Seller to Buyer, for the unexpired term, if any, of any manufacturer's or dealer's warranties covering any furnishings, fixtures and appliances that are part of the Unit. Seller is merely attempting to pass through to Buyer any such manufacturer's or dealer's warranties; Seller is not adopting any such warranties or acting as co-warrantor with respect to any furnishings, fixtures or appliances. The terms of the manufacturer's or dealer's written warranties shall be available for Buyer's examination at Seller's sales office. Except for the agreements expressly set forth in this Paragraph 24, SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNIT, THE PROJECT, ANY CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN THE UNIT OR IN THE PROJECT, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS OF THE UNIT FOR A PARTICULAR PURPOSE.

7. CHAPTER 672E OF THE HAWAII REVISED STATUTES CONTAINS IMPORTANT REQUIREMENTS BUYER MUST FOLLOW BEFORE BUYER MAY FILE A LAWSUIT OR OTHER ACTION FOR DEFECTIVE CONSTRUCTION AGAINST THE CONTRACTOR WHO DESIGNED, REPAIRED OR CONSTRUCTED THE UNIT. NINETY (90) DAYS BEFORE BUYER FILES A LAWSUIT OR OTHER ACTION, BUYER MUST SERVE ON THE CONTRACTOR A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS BUYER ALLEGES ARE DEFECTIVE. UNDER THE LAW, A CONTRACTOR HAS THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR AND/OR PAY FOR THE DEFECTS. BUYER IS NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY A CONTRACTOR. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER THE LAW, AND FAILURE TO FOLLOW THEM MAY NEGATIVELY AFFECT BUYER'S ABILITY TO FILE A LAWSUIT OR OTHER ACTION. A COPY OF CHAPTER 672E IS AVAILABLE FOR INSPECTION AT SELLER'S SALES OFFICE.

8. Seller shall complete construction of the Unit subject to this Agreement and the building in which it is located so as to permit normal occupancy within two (2) years from the date the Sales Agreement becomes a binding contract in accordance with HRS Section 514B-86 (the "Completion Deadline"); provided, however, that the Completion Deadline will be extended for any period of time during which Seller's construction is actually delayed by weather, tsunami, earthquake, strikes, material shortages, acts of God, war or aggression, destruction of property, acts of governmental authorities, or other matters of conditions legally supportable in the State of Hawaii as causes of delays in performance for reasons beyond the control of Seller.

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

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

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

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

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

14. If Buyer shall default in any payment when required, or fail to perform any other obligation required of the Buyer, including the obligation to execute promptly all documents necessary to close the transaction, and upon giving notice and opportunity to cure as provided in the Sales Agreement, the Sales Agreement may, at Seller's option, be terminated by written notice to Buyer and the total sums paid by Buyer under the Sales Agreement, and all accrued interest, shall constitute liquidated damages payable to Seller, or, at Seller's option, Seller may pursue any other remedy at law or equity for specific performance or otherwise, and all costs and expenses incurred by reason of default of Buyer shall be borne by Buyer, including but not limited to, reasonable attorneys' fees, costs incurred by any lending institution in processing Buyer's loan

application, and the escrow cancellation fee. Seller and Buyer acknowledge that they understand and have agreed that in such event the injury to Seller will be difficult and expensive to measure in view of Seller's financial commitments with respect to the Project, the connection between sale, cancellation or default with respect to one unit and sale, cancellation or default with respect to other units in the Project, and the nature of the real estate market in Hawaii. As a reasonable estimate of Seller's fair compensation for any damages resulting from such default, the parties agree that the total sums paid by Buyer under the Sales Agreement and all accrued interest shall belong to Seller as liquidated damages.

15. Buyer's rights to use of the golf courses, tennis/spa facility, Canoe Club and beach house outside of the Project but within Hualalai (the "Recreational Facilities") and Buyer's rights to certain privileges in the Four Seasons Hotel at Hualalai (the "Four Seasons Privileges") shall be subject to execution of one or more agreements by Buyer and Hualalai Investors LLC ("HILLC"), which agreement/s is/are separate from this Agreement. (Use of the Recreational Facilities and the Four Seasons Privileges shall be collectively referred to herein as the "Recreational Use Privileges"). Buyer shall not acquire Recreational Use Privileges merely by execution of this Agreement and the purchase of a unit. In order to obtain Recreational Use Privileges, Buyer must comply with the terms and conditions established by HILLC for the use thereof, including, without limitation, the execution of one or more separate agreements, payment of an initiation fee and periodic use or membership fees established by HILLC, and compliance with the rules and regulations established by HILLC. Buyer shall have no ownership interest in the Recreational Facilities; the Recreational Facilities are owned by HILLC.

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

17. At the option of the Seller, or its successors and assigns, the Project, or designated portions thereof, shall be irrigated with non-potable water only. The non-potable water shall be, at the Seller's option, either brackish water or reclaimed water. Water from the non-potable water lines should not be consumed by people or animals, and Seller will not be responsible for any injuries

caused to people or animals from the consumption of water from the non-potable water lines. Buyer shall be totally responsible for restricting Buyer's children, guests and animals from consuming water from the non-potable lines.

18. The Property and the Project may be in the vicinity of a golf course or courses. Buyer's execution of the Unit Deed for the Property shall constitute Buyer's acknowledgement, acceptance and assumption of the "Golf Course Hazards", as such term is defined in the Master CC&Rs.

19. The Property and the Project are in the vicinity of the wastewater treatment plant for Hualalai, and additional improvements may be made in the future to expand its capacity (said treatment plant as now or hereafter modified being referred to herein as the "WTP"). The operation of the WTP may result in nuisances or otherwise affect Buyer's use and enjoyment of the Property and the Project. Buyer accepts all risks associated with the maintenance, operation and use of the WTP. Buyer's execution of the Unit Deed for the Property shall constitute Buyer's irrevocable agreement, as a covenant running in favor of Seller and the owners and operators from time to time of the WTP, that Buyer accepts and shall permit all actions and consequences incidental to the maintenance, operation or use of the WTP.

20. Climatic conditions where the Project is located are conducive to the growth of mold and other types of potentially irritating or harmful growths (collectively "Mold"). Mold can be irritating or harmful to the respiratory tract of certain individuals and can cause deterioration of property. By acquiring a Unit and an interest in the Project, each buyer will assume the risk that Mold may be present from time to time in the buyer's Unit or elsewhere at the Project and the buyer will be deemed to have waived any rights, claims or actions the buyer may have or acquire against the Developer as a result of or in any way related to Mold in the Unit or elsewhere at the Project.

21. The Project is located on the Island of Hawaii, an island that has been formed as a result of volcanic eruptions and other activity. The Project's land is located within a volcanic rift zone and is subject to potential earthquakes and lava flows. In the event of volcanic eruptions, the Project may be subject to volcanic haze, unpleasant odors and other inconveniences, including possible destruction of the Project. By acquiring a Unit and an interest in the Project, each buyer will be deemed to have accepted such conditions and waived any rights, claims or actions the buyer may have or acquire against the Developer as a result of or in any way related to such conditions.

22. Views that may be available from the Unit now or hereafter may change or may not continue to be available in the future. By accepting title to a Unit, the buyer will not acquire a view easement or view plane easement or any other right or entitlement of any kind to have or enjoy or retain any views whatsoever from the Unit or from anywhere else at the Project. By acquiring a Unit and an interest in the Project, each buyer will be deemed to have acknowledged and accepted that the Unit is being conveyed with no warranties or guarantees whatsoever as to the availability of views from the Unit.

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

SUMMARY OF THE CONDOMINIUM ESCROW AGREEMENT

The Condominium Escrow Agreement dated as of January 31, 2008, was made by and between Title Guaranty Escrow Services, Inc. ("Escrow Agent") and TDM Ka`upulehu, LLC ("Developer") (the "Escrow Agreement"). The Escrow Agreement contains among other provisions the following (which may be modified or otherwise limited by provisions not summarized herein):

1. Sales Contracts Deposited in Escrow. Whenever Developer enters into a sales contract with a purchaser for the sale of a unit in the Hali`ipua Villas condominium project (the "Project") or any amendment to any such sales contract, Developer shall deliver an executed copy of the sales contract or amendment, as the case may be, to Escrow Agent. The sales contract shall require that all payments made thereunder be made directly to Escrow Agent to be held and disbursed in accordance with the Escrow Agreement.

2. Receipt of Funds by Escrow Agent. Escrow Agent shall receive and hold in escrow and disburse in accordance with the Escrow Agreement (a) all payments received by Escrow Agent under sales contracts made by Developer for units in the Project; (b) all sums received by Escrow Agent from or for the account of Developer; (c) all funds from any lending institution pursuant to a mortgage loan for the purchase of any unit by individual purchasers; and (d) all sums received by Escrow from any other source on account of the Project. Within a reasonable time after receiving any such funds, Escrow Agent shall deposit the same in an interest-bearing account or accounts at a federally insured bank, savings and loan association, financial services loan company or credit union authorized to do business in the State of Hawaii. Any interest earned on such deposits shall accrue as specified in the sales contract. If the sales contract does not specify to whom interest is to accrue, any interest earned on funds deposited in escrow under the Escrow Agreement shall accrue to the credit of the purchaser.

3. Conditions to be Met Prior to Disbursement; Disbursement of Purchasers' Funds Held In Escrow to Pay Certain Project Expenses Prior to Completion of Construction. With the exception of refunds issued in accordance with the Escrow Agreement, Escrow Agent shall make no disbursement of funds deposited with it unless: (a) Developer shall have delivered to the purchaser a true copy of the Developer's Public Report, including all amendments thereto, with effective date(s) issued by the Real Estate Commission; (b) Developer shall have delivered to the purchaser notice of the purchaser's thirty-day right of cancellation on a form prescribed by the Real Estate Commission, and the purchaser shall have waived the right to cancel or shall be deemed to have waived the right to cancel in accordance with HRS §514B-86(c); (c) Developer shall have affirmed to Escrow Agent that there has been no material change in the Project after the sales contract became binding, or in the event of a material change in the Project after the sales contract becomes binding, Developer shall have affirmed that Developer has delivered to the purchaser a description of the material change and notice of the purchaser's thirty-day rescission right on a form prescribed by the Real Estate Commission; (d) if purchaser deposits are to be released prior to Closing or if units are conveyed or leased prior to completion of construction, Developer shall have certified to Escrow Agent in writing and to Escrow Agent's satisfaction that Developer has complied with all of the requirements of HRS §514B-92 or §514B-93, as applicable; (e) Developer shall have delivered to Escrow Agent a statement from Developer's architect that the Project is in compliance with the Federal Fair Housing Amendments Act of 1988; and (f) Developer shall have given Escrow Agent a written waiver of any reserved option to cancel the sales contract. Prior to completion of construction, provided that the requirements set forth in clauses (a) through (f) of the preceding sentence have been satisfied, Escrow Agent shall disburse funds deposited with it to pay for (i) construction costs of the buildings and other improvements and fixtures of the Project, and (ii) architectural, engineering, finance and legal fees and other incidental expense of the Project to the extent approved by Developer's lender.

4. Return of Funds and Documents. Escrow Agent shall return to a purchaser deposited sums, without interest (except in the cases described in clauses (c), (d) and (e) hereinbelow),

and less Escrow Agent's cancellation fee and other costs up to a maximum of $250.00 (except in the case described in clause (d) hereinbelow), if:

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

(b) Developer notifies Escrow Agent of the purchaser's exercise its right to cancel the sales contract entered into by such purchaser pursuant to HRS §514B-86; or

(c) Developer notifies Escrow Agent of Developer's exercise of the option to cancel or rescind the sales contract entered into by such purchaser pursuant to any right of cancellation or rescission provided for therein or otherwise available to Developer; or

(d) Developer notifies Escrow Agent of the purchaser's exercise of its right to rescind the sales contract entered into by such purchaser pursuant to HRS Section 514B-87, by a valid rescission signed by all purchasers of the affected unit and postmarked no later than midnight of the thirtieth calendar day after the date that the purchasers received the rescission form from Developer; or

(e) The sales contract for a unit is signed before the completion of construction, and Developer notifies Escrow Agent of purchaser's exercise of purchaser's right to cancel the sales contract pursuant to HRS §514B-89 (failure to complete construction before the completion deadline, as the same may have been extended for force majeure).

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

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

7. Defects in Documents. Within five (5) business days of the date of closing, Escrow Agent shall record all documents necessary to effect the transfer of legal title to the purchaser, provided said documents are not defective in any way. If any documents are defective, Escrow Agent shall notify Developer thereof and correct such defects if they are within Escrow Agent's capacity as an escrow depository to correct. If, for any cause beyond Escrow Agent's control, the necessary documents cannot be recorded within said five (5) day period after closing, Escrow Agent shall record the same within three (3) days after learning that the reason that prevented their recording no longer exists.

8. Purchaser's Default. If a purchaser fails to make any payment to Escrow Agent when due or if a purchaser fails to perform in an matter that is being handled by Escrow Agent, Escrow Agent shall notify Developer of such failure on the part of the purchaser. If Developer certifies to Escrow Agent in writing that Developer has terminated the sales contract in accordance with the terms thereof, then Escrow Agent shall thereafter treat all funds of the purchaser paid on account of such sales contract as funds of Developer. Upon the written request of Developer, Escrow Agent shall pay such funds to Developer, less any cancellation fee. Thereafter, provided that upon written request from the party from whom documents were received, Escrow Agent returns the documents to the requesting party, Escrow Agent shall have no further obligation or liability with respect to such funds or purchaser.

9. Protection of Escrow Agent. Escrow Agent shall have no liability for acting in accordance with the terms of the Escrow Agreement, notwithstanding a notice to the contrary from Developer, any purchaser, or any third person. Escrow Agent shall not be responsible for the validity or sufficiency of any documents received by it, shall be entitled to assume that said documents have been

properly executed and that any written certification or instrument from Developer is true and accurate. In the event of any dispute, difference, or conflicting demand upon Escrow Agent, Escrow Agent shall not be required to determine the same or take any action in the premises, but may await settlement of the controversy by appropriate legal proceedings or otherwise, including the resolution of an interpleader action initiated by Escrow Agent. Developer and each purchaser shall pay to Escrow Agent on demand, and indemnify and hold harmless Escrow Agent against, all costs and damages arising out of the Escrow Agreement, except for any act or omission of Escrow Agent that is not generally accepted as a reasonable business practice. Escrow Agent shall not be required to mail any notice or keep any records required under H.R.S. Chapter 514B.

10. Termination. The Escrow Agreement may be terminated by either party on fifteen (15) days' written notice to the other party.

11. Statutory Provisions Control. In the event of any conflict between the Escrow Agreement and H.R.S. Chapter 514B, the statutory provisions shall control.

12. Compensation. For each sale of a Unit closed by Escrow Agent, Escrow Agent shall be paid an escrow fee. The escrow fee shall be 50% of Escrow Agent's scheduled rate, plus the applicable Hawaii general excise tax thereon for the Unit. The premium for the standard owner's title insurance policy and ALTA lender's title insurance policy issued with respect to each Unit shall be 50% of Title Guaranty of Hawaii, Inc.'s scheduled rate for the Unit. An additional fee of $250.00 shall be charged to the purchaser for each mortgage loan obtained by the purchaser from a lender not designated by Developer. Should the purchaser obtain a mortgage loan from any out-of-state lender, a fee of $500.00 shall be charged to the purchaser for such mortgage. Escrow Agent shall be entitled to charge an additional amount for any changes to any closing statement or other document previously approved by Developer that are necessary after the commencement of preclosing or closing proceedings, unless said changes are necessary due to the fault of Escrow Agent.

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

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

EFFECT ON PURCHASER'S INTEREST AND DEPOSIT IF DEVELOPER DEFAULTS OR LIEN IS FORECLOSED PRIOR TO CONVEYANCE

The Purchaser's interest is specifically made subject and subordinate to the lien of the Mortgage encumbering the Project property issued by the Developer in favor of the Developer's lender (the "Mortgagee"). If the Developer defaults or the lien is foreclosed before the Unit is conveyed to the Purchaser, then the Mortgagee will have the right to sell the Unit to the Purchaser under the Sales Contract or terminate the Purchaser's interest thereunder. If the Mortgagee terminates the Purchaser's interest, then the Purchaser's deposits will be refunded to the Purchaser, less the escrow cancellation fee.

Note: At the time of the first conveyance of each Unit to a Purchaser, the Mortgagee's lien will be paid and satisfied of record, or the Unit being conveyed and its common interests shall be released therefrom.

CONSTRUCTION WARRANTIES

1. General. The Developer makes no warranties, express or implied, about the Units or the Project, or about consumer products or anything else installed or contained in the Units or the Project. This includes, but is not limited to, warranties of merchantability, habitability, workmanlike construction, fitness for a particular purpose, or sufficiency of design. All rights and interests in the Project are sold by the Developer "as is" and "where is", with all defects, whether visible or hidden, and whether not or not known. This means, among other things, that the Developer does not have to fix any defect no matter what causes it or when it is discovered. Each purchaser of a Unit ("Purchaser") and every other Interested Person (as such term is defined in the Declaration) gives up (in legal terms, "waives and releases") any and all rights and claims such person may have, now or in the future, against the Developer, its representatives, successors and assigns for (i) any defects in the Units or the Project or any consumer products or anything else things installed or contained in the Units or the Project, and (ii) for injury to persons or property arising from any such defects. This means that the Developer will not have to pay for any injury or damage to people or things as a result of any defect.

2. Building and Other Improvements.

The construction contract for the Project (the "Construction Contract") contains a clause which provides in pertinent part that:

> "[I]f, within one year after the date of Substantial Completion of the Work or designated portion thereof or after the date for commencement of warranties established under Section 9.9.1, or by terms of an applicable special warranty required by the Contract Documents, any of the Work is found to be not in accordance with the requirements of the Contract Documents, the Contractor shall correct it promptly after receipt of written notice from the Owner to do so unless the Owner has previously given the Contractor a written acceptance of such condition."

The Developer makes no warranties itself, but the Developer agrees that the closing of the sale of any Unit in the Project shall constitute an assignment by the Developer to the Purchaser of the Unit of any and all warranties given to the Developer by the contractor(s) for the Project in connection with the Unit, including any contractor's agreement to promptly correct any of its work found to be defective or not in conformance with the Construction Contract following the "Date of Substantial Completion of the Work", as defined in the Construction Contract. The benefit of such agreement shall accrue to the Purchaser on closing without further instruments or documents. The Developer shall cooperate with the Purchaser during the effective period of such agreement in asserting any claims based on any such warranty. The Developer is not adopting the contractor's warranty or acting as co-warrantor, but is merely attempting to pass through to any Purchaser the benefit of such contractor's warranty, if any.

3. Chapter 672E Requirements for Filing a Lawsuit or Other Action for Defective Construction Against the Contractor. CHAPTER 672E OF THE HAWAII REVISED STATUTES CONTAINS IMPORTANT REQUIREMENTS A PURCHASER MUST FOLLOW BEORE THE PURCHASER MAY FILE A LAWSUIT OR OTHER ACTION FOR DEFECTIVE CONSTRUCTION AGAINST THE CONTRACTOR WHO DESIGNED, REPAIRED, OR CONSTRUCTED THE PURCHASER'S UNIT OR THE CONDOMINIUM IMPROVEMENTS. NINETY (90) DAYS BEFORE THE PURCHASER FILES A LAWSUIT OR OTHER ACTION, THE PURCHASER MUST SERVE ON THE CONTRACTOR A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS THE PURCHASER ALLEGES ARE DEFECTIVE. UNDER THE LAW, A CONTRACTOR HAS THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR

AND/OR PAY FOR THE DEFECTS. THE PURCHASER IS NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY A CONTRACTOR. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER THE LAW, AND FAILURE TO FOLLOW THEM MAY NEGATIVELY AFFECT THE PURCHASER'S ABILITY TO FILE A LAWSUIT OR OTHER ACTION.

4. Appliances.

The closing of the sale of any Unit in the Project shall also constitute the assignment by the Developer to the Purchaser, for the unexpired term, if any, of any manufacturer's or dealer's warranties covering any furnishings, fixtures and appliances that are part of the Unit. The Developer is merely attempting to pass through to the Purchaser any such manufacturer's or dealer's warranties; the Developer is not adopting any such warranties or acting as co-warrantor with respect to any furnishings, fixtures or appliances. The terms of the manufacturer's or dealer's written warranties will be available for the Purchaser's examination at the Developer's sales office.

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Except for the agreements set forth hereinabove, THE DEVELOPER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, THE PROJECT, ANY CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN ANY UNIT OR IN THE PROJECT, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILTIY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS OF ANY UNIT FOR A PARTICULAR PURPOSE.