

**DEVELOPER'S PUBLIC REPORT
FOR A CONDOMINIUM**

CONDOMINIUM PROJECT NAME	HALFORD CONDOMINIUM
Project Address	70 (Unit A) and 72 (Unit B) Lumahai Place, Makawao, Hawaii 96768
Registration Number	6705 (conversion)
Effective Date of Report	November 17, 2008
Developer(s)	The Mortgage Store, Inc., a Hawaii corporation

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.]

This is a CONDOMINIUM PROJECT, not a subdivision. The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and does not represent a legally subdivided lot. The lines on the Condominium Map dividing the land into limited common element land areas are for illustration purposes only and should not be construed to be formal subdivision lines.

This Public Report does not constitute an approval of the Project by the Real Estate Commission or any other government agency.

There are County restrictions on the number of farm dwelling units, or other structures, which may be built on the property. Therefore, unless the Purchaser is buying an existing farm dwelling, THERE IS NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO BUILD A FARM DWELLING UNIT ON THE PROPERTY. THERE IS ALSO NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO CONVERT AN EXISTING NON-FARM DWELLING STRUCTURE TO A FARM DWELLING USE. The Purchaser should consult with the appropriate County agencies to determine whether the Purchaser may build a farm dwelling unit, or any other type of structure, on the property. Unit A is an existing farm dwelling, and Unit B is an existing farm dwelling.

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

In a condominium, all of the land included in the condominium remains a single, unsubdivided parcel of land for purposes of zoning and land use regulation. If one unit owner violates a regulation, the violation is attributable to both that owner and the innocent owner of each other unit. For example, if one owner builds or adds to a structure in a manner which violates height limits, size limit, setbacks, building permit requirements, or flood zone rules, or uses the unit for an unauthorized additional dwelling or short term rental, the violation applies to the entire condominium and the innocent unit owner may be subject to fines or may be denied a building permit as long as the violation remains uncured. BUYER SHOULD CONSULT WITH AN ATTORNEY CONCERNING THESE IMPORTANT RISKS.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING. EACH BUYER IS ALSO ADVISED TO CONTACT THE APPROPRIATE GOVERNMENT AGENCIES TO DETERMINE SPECIFIC REQUIREMENTS FOR THIS PROPERTY, AND TO CONSULT WITH AN ATTORNEY AND OTHER APPROPRIATE PROFESSIONALS.

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EXHIBIT A: Description of Units, Common Elements & Limited Common Elements

EXHIBIT B: Encumbrances Against Title

EXHIBIT C: Estimate of Initial Maintenance Fees (with Attachment)

EXHIBIT D: Summary of Deposit Receipt and Sales Contract

EXHIBIT E: Summary of Escrow Agreement

EXHIBIT F: Common Interest Description

EXHIBIT G: Miscellaneous Inspection Report (County of Maui)

EXHIBIT H: Home Inspection Report

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	<input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Fee Owner's Name if Developer is not the Fee Owner	Fee Owner is Developer
Address of Project	70 & 72 Lumahai Place, Makawao, Hawaii 96768
Address of Project is expected to change because	N/A
Tax Map Key (TMK)	(2) 2-4-027:004; (2) 2-4-027:014 & 015 (Roadway Lots)
Tax Map Key is expected to change because	Each unit will be given a CPR # by Real Property Tax.
Land Area	2.188 acres
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	Developer is Fee Owner

1.2 Buildings and Other Improvements

Number of Buildings	2
Floors Per Building	Unit A: 2, Unit B: 1
Number of New Building(s)	0
Number of Converted Building(s)	2
Principle Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	Wood, glass and related material.

1.3 Unit Types and Sizes of Units

Unit Type	Quantity	BR/Bath	Net Living Area	Net Other Areas	Other Areas (lanai, garage, etc)	Total Area
A	1	3/2	1514 s.f.	232/429 s.f.	Lanai/carport	2,175 s.f.
B	1	1/1	698 s.f.	517 s.f.	lanai	1215 s.f.

See Exhibit A .

2	Total Number of Units
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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 Stall in the Project:	2*
Number of Guest Stalls in the Project:	0*
Number of Parking Stalls Assigned to Each Unit:	1*
Attach Exhibit <u>N/A</u> 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.	
*Unit A has a one-car carport and Unit B has one outside parking stall. Also, each unit will have the right to park in the Limited Common Element appurtenant to said unit, including guests.	

1.5 Boundaries of the Units

Boundaries of the unit: Exterior surfaces of walls, roofs, and foundations.
--

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): Each unit may be expanded, relocated and altered in owner's discretion (except as limited by law or the Declaration). The owner may unilaterally amend the Declaration to redefine the unit to conform the unit boundaries as altered, expanded or relocated

1.7 Common Interest

<u>Common Interest:</u> 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 <u>F</u> .
As follows:

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

<input type="checkbox"/>	Swimming pool
<input type="checkbox"/>	Laundry Area
<input type="checkbox"/>	Storage Area
<input type="checkbox"/>	Tennis Court
<input type="checkbox"/>	Recreation Area
<input type="checkbox"/>	Trash Chute/Enclosure(s)
<input type="checkbox"/>	Exercise Room
<input type="checkbox"/>	Security Gate
<input type="checkbox"/>	Playground
<input checked="" type="checkbox"/>	Other (describe): Described on the following page 4a.

CONTINUATION OF PAGE 4, SECTION 1.8

Recreational and Other Common Facilities:

- (a) The Common Element Driveway, as shown on the Condominium Site Map, (Area = .074 acres);
- (b) The shared water meter provided to the Property by the Department of Water Supply;
- (c) The shared water line and appurtenances;
- (d) The shared electrical, telephone and cable television lines and appurtenances;
- (e) An easement for water pipeline purposes across the Mauka boundary of the abutting Lot A-4, as more fully described in Warranty Deed dated January 22, 2008, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2008-010926; and
- (f) A perpetual easement for right of way and utility purposes, over, under, along, across and upon a portion of Lumahai Place (being Lots A-10-A and A-10-B of the Olinda Farm Lots), which roadway is shown on the Condominium Site Map Plan, and which easement is more fully described in Warranty Deed dated January 22, 2008, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2008-010926.

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 A .

Described as follows:

Common Element	Number
Elevators	None
Stairways	None
Trash Chutes	None

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 A .

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.

<input type="checkbox"/>	Pets:
<input type="checkbox"/>	Number of Occupants:
<input checked="" type="checkbox"/>	Other: Reference is made to page 18, 18a and 18b for a description of various restrictions.
<input type="checkbox"/>	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 B describes the encumbrances against title contained in the title report described below.

Date of the title report: September 5, 2008

Company that issued the title report: Old Republic Title & Escrow of Hawaii

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
<input type="checkbox"/>	Residential		<input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/>	Commercial		<input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/>	Mix Residential/Commercial		<input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/>	Hotel		<input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/>	Timeshare		<input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/>	Ohana		<input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/>	Industrial		<input type="checkbox"/> Yes <input type="checkbox"/> No	
<input checked="" type="checkbox"/>	Agricultural	2	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Agriculture
<input type="checkbox"/>	Recreational		<input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/>	Other (Specify):		<input type="checkbox"/> Yes <input type="checkbox"/> No	
Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Variances to zoning code have been granted.			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Describe any variances that have been granted to zoning code			None	

1.14 Other Zoning Compliance Matters

Conforming/Non-Conforming Uses, Structures and Lots			
<p>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.</p> <p>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.</p> <p>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.</p>			
	Conforming	Non-Conforming	Illegal
Uses	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Structures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lot	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>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:</p> <p>None</p>			

1.15 Conversions

<p>Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.</p>	<p><input checked="" type="checkbox"/> Applicable</p> <p><input type="checkbox"/> Not Applicable</p>
<p>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:</p> <p>Unit "A" was built in 1989. Based on a report of Unit "A" by Paul L. Signore Building Inspection Services, Inc., dated March 3, 2008, and certified by Donald B. Kelman, a Hawaii licensed Architect (AR-7351), Declarant states that all of the structural components and mechanical and electrical installations material to the use and enjoyment of Unit "A" appear to be in good condition.</p>	
<p>Developer's statement of the expected useful life of each item reported above:</p> <p>The Declarant hereby states that no representations are made with respect to the useful life of any structural component or mechanical or electrical installations material to the use and enjoyment of Unit "A"</p>	
<p>List of any outstanding notices of uncured violations of any building code or other county regulations:</p> <p>None</p>	
<p>Estimated cost of curing any violations described above:</p> <p>None</p>	

<p>Verified Statement from a County Official</p>	
<p>Regarding any converted structures in the project, attached as Exhibit <u>G</u> is a verified statement signed by an appropriate county official which states that either:</p> <p>(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:</p> <ul style="list-style-type: none"> (i) Any variances or other permits that have been granted to achieve compliance; (ii) Whether the project contains any legal non-conforming 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; <p style="text-align: center;">or</p> <p>(B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.</p>	
<p>Other disclosures and information:</p>	

1.16 Project In Agricultural District

<p>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.</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>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? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation.</p>	
<p>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? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.</p>	
<p>Other disclosures and information:</p> <p>Reference is made to Page 18, 18a and 18b for additional disclosures and information.</p>	

1.17 Project with Assisted Living Facility

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

2. PERSONS CONNECTED WITH THE PROJECT

2.1 Developer(s)	Name: The Mortgage Store, Inc., a Hawaii corporation Business Address: 380 Huku Li'i Place, Suite 201 Kihei, Hawaii 96753 Business Phone Number : (808) 270-2700 E-mail Address:
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).	President: George Lindell Secretary: George Lindell Treasurer: George Lindell
2.2 Real Estate Broker	Name: The Price Corporation dba: Price Realty Group Business Address: 1888 Kalakaua Ave, #312, Honolulu, HI 96815 Business Phone Number: (808) 548-7653 E-mail Address:
2.3 Escrow Depository	Name: Old Republic Title & Escrow of Hawaii, Ltd. Business Address: 380 Huku Li'i Place, #206, Kihei, HI 96753 Business Phone Number: (808) 875-6950
2.4 General Contractor	Name: N/A Business Address: Business Phone Number:
2.5 Condominium Managing Agent	Name: None, Self-Managed by the Association Business Address: Business Phone Number:
2.6 Attorney for Developer	Name: Mancini, Welch & Geiger LLP: THomas D. Welch, Jr. Business Address: 33 Lono Avenue, Ste 470, Kahului, Hawaii 96732 Business Phone Number: (808) 871-8351

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
Bureau of Conveyances	August 15th, 2008	2008-139287

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
Bureau of Conveyances	August 15th, 2008	2008-139288

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	4703
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	<input type="checkbox"/>	
Have Been Adopted and Date of Adoption	<input type="checkbox"/>	
Developer does not plan to adopt House Rules	<input checked="" type="checkbox"/>	

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

<input type="checkbox"/>	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
<input checked="" type="checkbox"/>	<p>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:</p> <p>The Developer reserves the right to modify the Declaration, By-Laws, Condominium Property Regime Map, and other documents, and a Buyer will authorize the Developer to make and a Buyer will specifically approve, all changes to said documents and the Project:</p> <p>(a) as may be required by law, any title insurance company, any institutional lender, or any governmental agency; or</p> <p>(b) prior to conveyance of the first unit, as the Developer deems necessary; provided that no such modification shall, without the Buyer's consent:</p> <ul style="list-style-type: none"> (i) materially impair the prospective use and enjoyment of the Unit; (ii) materially reduce the size of the limited common area appurtenant to the Unit; (iii) render unenforceable a Buyer's mortgage lien commitment; (iv) increase the Buyer's share of common expenses; or (v) reduce the obligations of the Developer for common expenses on unsold units.

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):	
<input type="checkbox"/>	Not affiliated with the Developer
<input checked="" type="checkbox"/>	None (self-managed by the Association)
<input type="checkbox"/>	The Developer or an affiliate of the Developer
<input type="checkbox"/>	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 C 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:	
<input type="checkbox"/>	Electricity for the common elements
<input type="checkbox"/>	Gas for the common elements
<input checked="" type="checkbox"/>	Water
<input type="checkbox"/>	Sewer
<input type="checkbox"/>	TV Cable
<input type="checkbox"/>	Other (specify)

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:

<input checked="" type="checkbox"/>	Electricity for the Unit only
<input checked="" type="checkbox"/>	Gas for the Unit only
<input type="checkbox"/>	Water
<input type="checkbox"/>	Sewer
<input checked="" type="checkbox"/>	TV Cable
<input checked="" type="checkbox"/>	Other (specify) Phone

5. SALES DOCUMENTS

5.1 Sales Documents Filed with the Real Estate Commission

<input checked="" type="checkbox"/>	Specimen Sales Contract Exhibit <u>D</u> contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.
<input checked="" type="checkbox"/>	Escrow Agreement dated: August 8, 2008 Name of Escrow Company: Old Republic Title & Escrow of Hawaii, Ltd. Exhibit <u>E</u> contains a summary of the pertinent provisions of the escrow agreement.
<input type="checkbox"/>	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.

<input type="checkbox"/>	The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B.
<input type="checkbox"/>	Developer has designated the units for sale to Owner-Occupants in this report. See Exhibit <u>NA</u> .
<input type="checkbox"/>	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.

<input type="checkbox"/>	There are <u>no blanket liens</u> affecting title to the individual units.
<input checked="" type="checkbox"/>	There are <u>blanket liens</u> 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
Reference is made to Exhibit B for a description of all liens affecting this property.	Buyer may lose his or her unit but buyer's deposit to be refunded, less any escrow cancellation fees. All mortgage liens will be paid in full out of the proceeds of the sale of the first unit and the units will be released from the liens at that time.

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:

There are no warranties

Appliances:

There are no warranties

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

<p>Status of Construction:</p> <p>Unit A was built in 1989. Unit B was built in 2006.</p>
<p>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.</p>
<p>Completion Deadline for any unit not yet constructed, as set forth in the sales contract:</p> <p>N/A</p>
<p>Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract:</p> <p>N/A</p>

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

<input checked="" type="checkbox"/>	<p>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.</p> <p><i>If this box is checked, Section 5.6.2, which follows below, will not be applicable to the project.</i></p>
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5.6.2 Purchaser Deposits Will Be Disbursed Before Closing

<p>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):</p>	
<input type="checkbox"/>	<p>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</p>
<input type="checkbox"/>	<p>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.</p>

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

<p>Box A</p> <p><input type="checkbox"/></p>	<p>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.</p> <p>If Box A is checked, you should read and carefully consider the following notice, which is required by law:</p> <p><u>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.</u></p>
<p>Box B</p> <p><input type="checkbox"/></p>	<p>The Developer has <u>not</u> 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.</p> <p>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 <u>Important Notice Regarding Your Deposits</u> 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, <u>you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment.</u> (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.</p> <p>You should understand that, although the <u>Important Notice Regarding Your Deposits</u> 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.</p>

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: Reference is made to Exhibit "B" for a specific list of encumbrances affecting this property.

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. Water. The condominium is served by a single water meter and water use for both units will be billed to the Association of Unit Owners by the County of Maui Department of Water Supply in a single bill. The Association is responsible for paying said charges and will allocate them among the unit owners as common expense assessments. The method of allocation shall be by individual use meters ("submeters") apportioning the County's billings between both units by proportionate metered water usage.

The County of Maui Department of Water Supply has adopted a policy to require that each unit in a condominium have its separate water meter, and that the County's fire protection system serving the property be upgraded, if it is substandard. This condominium has only one meter, which is shared. This sharing may be in violation of these rules. Due to the current shortage of water in the Department's upcountry water system, it may not be possible to obtain a second meter for this property. Also no representations are made as to the adequacy of fire protection serving the condominium land from the County's system. WATER SERVICE IS NOW BEING PROVIDED TO BOTH UNITS AND DEVELOPER KNOWS OF NO INSTANCE WHERE THE WATER DEPARTMENT HAS TERMINATED WATER SERVICE TO A CONDOMINIUM UPON CONVERSION. HOWEVER BUYER IS CAUTIONED THAT BUYER MAY BE REQUIRED TO OBTAIN AN ADDITIONAL METER, AND INSTALL OR UPGRADE FIRE PROTECTION SERVICE TO THE CONDOMINIUM LAND, AS A CONDITION TO THE BUYER'S USE, EXPANSION OR CONSTRUCTION OF BUYER'S UNIT, OR THE ISSUANCE OF A BUILDING PERMIT FOR ANY PURPOSE. BUYER SHOULD CONSULT WITH HIS OR HER LEGAL COUNSEL OR CONTACT THE DEPARTMENT OF WATER SUPPLY FOR ADDITIONAL INFORMATION.

2. Septic Disposal System. Unit A has a cesspool system, and Unit B has a septic tank and leach field system, the approximate locations of which systems are shown on the Condominium Map. County sewer service is not available to the condominium land. The owner of each unit shall be responsible for the cost of maintaining, operating and/or replacing said unit's system. This may include upgrading the system as required by the proper governmental agency from time to time. No representations or warranties are made as to the quality, useful life, replacement cost, operating cost, or maintenance cost of said system.

3. Agricultural Uses. The County of Maui Planning Department has recently adopted a strict enforcement policy requiring agriculture-zoned land to be used for only those agricultural uses permitted by HRS Section 205-4.5 and Maui County Code, Chapter 19.30A. Also, County approval of farm plans shall be required as well as actual ongoing implementation. Dwellings may only be constructed and used as "farm dwellings". BUYER SHOULD CONSULT WITH AN ATTORNEY OR THE MAUI COUNTY PLANNING DEPARTMENT FOR ADDITIONAL INFORMATION.

4. Agricultural Restrictions. Recently enacted State law prohibits all restrictions on agricultural uses and activities on agricultural zoned land. Any such restrictions are invalid if created after July, 2003. BUYER UNDERSTANDS THAT ACTIVITIES SUCH AS RAISING ANIMALS OR IRRIGATION AND FERTILIZATION OVERSPRAY ON NEARBY PROPERTIES MAY CAUSE NUISANCES AND INCONVENIENCES TO BUYER.

5. Farm Plan. At the request of the owner of any unit, and as long as the applicable agricultural zoning and land use laws shall require that agriculture-zoned land be used for only those agricultural uses permitted by HRS Section 205-4.5 and Maui County Code, Chapter 19.30A, the unit owners agree to proceed promptly, diligently, cooperatively and in good faith to create and implement a farm plan. Unit A and Unit B shall each commit an equal percentage of their appurtenant limited common element areas to be used for agriculture or agricultural land conservation, in order that no less than 51% (or the appropriate percentage as required by the applicable governmental agency) of the condominium land area as a whole shall be used for agriculture or any other uses as required by the appropriate governmental agency. In this effort, all unit owners will act cooperatively and in good faith, will respond promptly and with an open mind to inquiries and communications from the other(s), will execute such authorizations and applications and will take all actions as members of the Association with the mutual objective of implementing said farm plan as soon as reasonably possible. Also the parties agree to mutually execute and record a "unilateral agreement" as may be required by the County of Maui.

6. Zoning Limitations. Under the current zoning ordinance, only one full size farm dwelling (which may be limited in size by the rules of the County of Maui) and one farm dwelling with a living area of 1,000 square feet or less are permitted, and no other dwellings. Unit B was designated as the unit which is subject to the 1,000 square feet limitation, and may not be expanded beyond this limitation and Unit A was designated as the full size farm dwelling. THE PROSPECTIVE PURCHASER IS CAUTIONED TO CONSULT WITH HIS OR HER LEGAL COUNSEL CONCERNING THE REQUIREMENTS OF A FARM DWELLING AND THE PERMITTED USES OF THE LAND AND DWELLING IN THE AGRICULTURAL ZONE.

7. Mailboxes. Each unit has its own separate mailbox, the locations of which are shown on the Condominium Map, on the public roadway at the end of Lumahai Place. This location was necessary because Lumahai Place is a private roadway.

8. Pre-Existing Buildings. Since the buildings are all pre-existing there may be lead paint, asbestos and other environmentally harmful materials contained in the buildings which may be hazardous and which would not be permitted for a new building today.

9. Fire Protection. The property is subject to agreements with the County of Maui acknowledging that the County's fire protection facilities and water supply may be inadequate to protect the buildings in the event of fire. BUYER SHOULD CONSULT AN ENGINEER AND BUYER'S INSURANCE CARRIER IN ORDER TO EVALUATE THE RISKS AFFECTING THIS PROPERTY.

10. Special Management Area. The subject property is not within the Special Management Area.

11. Roads. The property has the benefit of non-exclusive access easements over the private roadway lots of the subdivision making up Lumahai Place. Lumahai Place is owned in common by the owners of several parcels of land which are served by Lumahai Place. As co-owners, each has the legal right to use the roadway and to repair or improve it, but in the absence of any voluntary agreement to the contrary, no co-owner has any legal obligation to maintain or repair it or to contribute towards expenses incurred by other co-owners for road work. Developer knows of no association in existence to maintain the roads. The County of Maui has no responsibility to maintain the roads. BUYER SHOULD CONSULT WITH HIS OR HER LEGAL COUNSEL OR CONTACT THE COUNTY OF MAUI FOR ADDITIONAL INFORMATION.

12. Zoning Designation. Developer certifies that the property is zoned Agriculture by the County of Maui.

13. Carport. The Condominium Map shows an enclosed carport for Unit A. A recent County of Maui inspection determined that the carport is not now enclosed and is consistent with all permit requirements. Developer shall promptly record an amendment to the Map to show the unenclosed carport as it presently exists.

14. Insurance. The owner(s) of each unit shall obtain his, her or their own insurance to cover fire and casualty loss. Also each unit should be separately insured against liability risks, and each policy should name the owner(s) of the other unit as a named or additional insured. The Common Element Driveway should also be included in the liability coverage of one of the units or separately insured by a joint policy as a shared common expense.

15. County's Records. The developer believes the County of Maui's records may be in error in that the letter designations of Unit "A" and Unit "B" are reversed. A unit owner dealing with the County in the future (for building permit application or otherwise) should be aware of this discrepancy and be prepared to explain the error in, and request a correction of, the County's records in this regard.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING. EACH BUYER IS ALSO ADVISED TO CONTACT THE APPROPRIATE GOVERNMENT AGENCIES TO DETERMINE SPECIFIC REQUIREMENTS FOR THIS PROPERTY, AND TO CONSULT WITH AN ATTORNEY AND OTHER APPROPRIATE PROFESSIONALS.

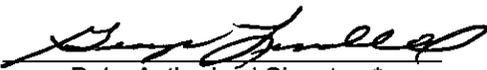
The Developer declares subject to the penalties set forth in Section 514B-69, HRS, that this project conforms to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located,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

The Mortgage Store, Inc., a Hawaii corporation

Printed Name of Developer

By:  September 13, 2008
Duly Authorized Signatory* Date

George Lindell: President of the Mortgage Store, Inc.

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Maui

Planning Department, County of Maui

***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.**

EXHIBIT A

HALFORD CONDOMINIUM

DESCRIPTION OF BUILDINGS:

The condominium consists of two (2) separate units, each of which is a farm dwelling. Each unit is located on that portion of the land defined on the Condominium Map as a limited common element appurtenant to and for the exclusive use of said unit. Each building is constructed primarily of wood, glass and related materials. Upon expansion, relocation, construction or reconstruction of any unit by any owner(s) thereof as provided in the Declaration, the modified or new building containing any unit may be constructed of any other building material meeting applicable building codes, including but not limited to concrete, masonry, plaster, wood, glass or related materials.

DESCRIPTION OF UNITS:

The condominium shall consist of two (2) units designated Unit "A" and Unit "B", with Unit "A" the eastern most and Unit "B" the western most. Each unit is shown on the Condominium Map.

Unit "A" is a two-story farm dwelling containing 1,514 square feet of net living area, and includes three bedrooms, two bathrooms, a kitchen, dining room, living room, family room, office, closet spaces, pantry, hallways, an uncovered lanai (including 232 square feet of area), and an attached carport (including 429 square feet of area).

Unit "B" is a one-story farm dwelling containing 698 square feet of net living area, and includes one bedroom, one bathroom, a kitchen, living room, dining room, laundry room, closet spaces, hallways and a lanai (including 517 square feet of area).

Each unit has direct access to its appurtenant limited common element on which the unit is located, which in turn provides access to the Common Element Driveway, which in turn provides access to a private roadway (Lumahai Place), which provides access to a public road (Olinda Road).

The boundaries of each unit shall consist of the exterior finished surface of all exterior walls, roofs, doors, windows, and also include all foundations and underpinnings, and other appurtenant structures and facilities within said boundaries. The responsibility for maintenance, repair, replacement and reconstruction and insurance of each unit is delegated to the owner(s) of said unit, and all of the cost thereof shall be borne by the owner(s) of said unit, at no cost to the owner(s) of any other unit or the association.

LOCATION, RELOCATION, AND NUMBERING OF UNITS:

Each unit is located as shown on the Condominium Map. The units are lettered "A" and "B" consecutively from east to west. As provided in Section K.2. of the Declaration, at the option of the owner(s) of each unit, said unit may be relocated to any other location within the limited common element appurtenant to said unit, and the boundaries of said unit may be changed, by amendment to the Declaration as provided in Section K.2. of the Declaration; provided however, that (a) all construction in connection therewith shall comply with all applicable zoning and building codes; and (b) no portion of the structure comprising a unit or other structure shall be constructed outside of the boundaries of the area designated for said unit as its limited common element as shown on the Condominium Map, or within any required setbacks.

APPROXIMATE FLOOR AREA OF UNITS:

<u>Unit</u>	<u>Floor Area</u>
A	1,514 square feet of net living area 232 square feet of lanai area 429 square feet of carport area
B	698 square feet of net living area 517 square feet of lanai area

NOTE: THE FLOOR AREAS ARE APPROXIMATE ONLY. THE DECLARANT MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER AS TO THE FLOOR AREA OF ANY PARTICULAR UNIT.

COMMON ELEMENTS:

The common elements include all other elements of the Project not included within any unit, including but not limited to:

- (a) The Property in fee simple;
- (b) The Common Element Driveway, as shown on the Condominium Site Map, (Area = .074 acres);
- (c) The shared water meter provided to the Property by the Department of Water Supply;
- (d) The shared water line and appurtenances;
- (e) The shared electrical, telephone and cable television lines and appurtenances;

- (f) An easement for water pipeline purposes across the Mauka boundary of the abutting Lot A-4, as more fully described in Warranty Deed dated January 22, 2008, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2008-010926;
- (g) A perpetual easement for right of way and utility purposes, over, under, along, across and upon a portion of Lumahai Place (being Lots A-10-A and A-10-B of the Olinda Farm Lots), which roadway is shown on the Condominium Site Map Plan, and which easement is more fully described in Warranty Deed dated January 22, 2008, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2008-010926;
- (h) Including an undivided one-sixth ($1/6^{\text{th}}$) interest in and to Lot A-10-A, and an undivided one-third ($1/3^{\text{rd}}$) interest in and to Lot A-10-B (both Lots being part of the Olinda Farm Lots subdivision and known collectively as Lumahai Place), which is shown on the Condominium Site Map (subject to easements and rights of others to use said Lots);
- (i) The limited common elements described below; and
- (j) The common elements shall also include any other utility installations serving more than one unit.

LIMITED COMMON ELEMENTS:

Each unit has appurtenant to it and for its exclusive use the land described in the Condominium Map as appurtenant thereto. The map describes these areas as "Limited Common Element A" (Area = 1.262 acres) appurtenant to Unit A and "Limited Common Element B-1 and B-2" (Total Area of B-1 + B-2 = .852 acres) appurtenant to Unit B. Each area is appurtenant to and for the exclusive use of its unit and which is physically located on said limited common element as shown on the Condominium Map. Each limited common element includes the land located underneath the unit located thereon.

EXHIBIT B

Encumbrances against Title

1. Real Property Taxes which may be due and owing. Reference is made to the Tax Assessor's Office, County of Maui.

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

3. AS TO THE UNDIVIDED INTEREST IN ROADWAY LOTS A-10-A AND A-10-B:

GRANT OF EASEMENT

Dated : March 29th, 1956
Recorded : April 26th, 1956 in the Bureau of Conveyances,
State of Hawaii, in Book 3106, Page 1
In favor of : MAUI ELECTRIC COMPANY, LIMITED, a Hawaii
corporation, GTE HAWAIIAN TELEPHONE COMPANY,
INCORPORATED, a Hawaii corporation
Granting : An easement for utility purposes

(This is an easement for electrical purposes that encumbers and limits certain uses, mainly building, within a portion of each of Lots A-10-A and A-10-B, which are roadway lots owned in part by the owner(s) of the units in the condominium.)*

4. The restrictive covenants, but omitting any covenants or restrictions if any, based upon race, color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons as contained in that certain Deed dated March 29th, 1965, recorded April 2nd, 1965 in the Bureau of Conveyances, State of Hawaii, in Book 5006, Page 536.

(This is a conveyance document that conveyed numerous parcels, and in regard to the conveyed roadway Lot A-10 (Lumahai Place), of which the condominium land has an undivided ownership interest, it was agreed that at no time shall any obstruction or diversion be made or permitted obstructing or diverting the natural flow of surface waters in existing natural drainage channels within Lot A-10, and that such channels shall be kept clean and clear at all times and that should any drainage ways or roadways be constructed, the same shall be designed in suitable fashion to carry surface waters to natural drainage channels.)*

5. GRANT OF EASEMENT

Dated : April 16th, 1969
Recorded : June 17th, 1969 in the Bureau of Conveyances, State of
Hawaii, in Book 6558, Page 386
In favor of : MAUI ELECTRIC COMPANY, LIMITED, a Hawaii corporation,
and HAWAIIAN TELEPHONE COMPANY, now known as GTE
HAWAIIAN TELEPHONE COMPANY, INCORPORATED
Granting : An easement for utility purposes

(This is an easement for electrical purposes that encumbers and limits certain uses, mainly building, within a portion of each of Lumahai Place and Limited Common Element B-1.)*

6. AS TO LOT A-5 ONLY:

GRANT OF EASEMENT

Dated : November 14th, 1972
Recorded : December 13th, 1972 in the Bureau of Conveyances, State of
Hawaii, in Book 8802, Page 140
In favor of : MAUI ELECTRIC COMPANY, LIMITED, a Hawaii corporation
Granting : An easement for utility purposes

(This is an easement for electrical purposes that encumbers and limits certain uses, mainly building, within a portion of Limited Common Element B.)*

7. AS TO THE UNDIVIDED INTEREST IN ROADWAY LOT A-10-A ONLY:

- A. The Olinda-Makawao County waterline, as shown on the map attached to Deed dated April 10th, 1978, recorded April 17th, 1978 in the Bureau of Conveyances, State of Hawaii, in Book 12831, Page 313.
- B. EASEMENT "C"
For: Pipeline purposes
As shown on map attached to Deed dated April 10, 1978, recorded April 17, 1978 in the Bureau of Conveyances of the State of Hawaii in Book 12831, Page 313.

(This is an easement for waterline purposes that encumbers and limits certain uses, mainly building, within a portion of Roadway Lot A-10-A, Lumahai Place.)*

8. SECTION 14.04.010(E) AGREEMENT RELATING TO FIRE PROTECTION

Dated : March 29th, 1989
Recorded : February 6th, 1989 in the Bureau of Conveyances, State of Hawaii, in Book 22998, Page 67
By and Between : LUCRETIA M. ROBINSON, a widow, and ARTI L. ROBINSON-THOMA, unmarried, and the DEPARTMENT OF WATER SUPPLY OF THE COUNTY OF MAUI

(This agreement acknowledges that the County of Maui is not responsible for providing fire protection to the condominium land.)*

9. Mortgage to secure an indebtedness of \$590,000.00

Mortgagor : ARTI LYNN HALFORD, an unmarried woman, as Tenant in Severalty
Mortgagee : Mortgagepointer.com, Inc.
Dated : January 13, 2006
Recorded : January 20, 2006 in the Bureau of Conveyances, State of Hawaii, as Document No. 2006-012218
Loan No. : 671010127
Returned to Address : 1875 South Grant Street, Ste. 350, San Mateo, CA 94402

The mortgagee's interest under said mortgage was assigned to OPTION ONE MORTGAGE CORPORATION, a California Corporation, by instrument,

Recorded : July 10, 2007 in the Bureau of Conveyances, State of Hawaii, as Document No. 2007-122914
Loan No. : 671010127
Returned to Address : 3 ADA, IRVINE, CA 92618

(This mortgage lien will be removed prior to the conveyance of the first unit.)*

10. Agreement for : UNILATERAL AND DECLARION FOR CONSTRUCTION OF A
FARM DWELLING ON LANDS ZONED COUNTY AGRICULTURAL
DISTRICT OR DESIGNATED STATE AGRICULTURAL DISTRICT
Executed By : A. LYNN HALFORD
and Between : A .LYNN HALFORD

On the terms, covenants and conditions contained therein,

Dated : August 2, 2006
Recorded : August 15, 2006 in the Bureau of Conveyances, State of
Hawaii, as Document No. 2006-149917

(This agreement creates a conditional approval of a building permit for a farm dwelling on agricultural land, emphasizing the fact that a farm dwelling is accessory to agricultural use of the property, and that the farm plan as designated in the application for building permit will be monitored by the County of Maui through its Department of Planning.)*

11. Mortgage to secure an indebtedness of the amount stated below and any other amounts payable under the terms thereof, with power of sale and assignment of rents.

Amount : \$300,000.00
Mortgagor : ARTI LYNN HALFORD, an unmarried woman
Mortgagee : THE MORTGAGE STORE, INC., a Hawaii corporation
Dated : June 13, 2007
Recorded : June 19, 2007 in the Bureau of Conveyances, State of Hawaii,
as Document No. 2007-109352
Return to
Address : 380 HUKU LI'I PLACE, SUITE 201, KIHEI, HI 96753

(This mortgage lien will be removed prior to the conveyance of the first unit.)*

12. Condominium Map No. 4703, filed in the Bureau of Conveyances, State of Hawaii.

13. Matters in an instrument that, among other things, contain or provide for easements, assessments, liens and their subordination; provisions relating to partition, restrictions on severability of component interest, covenants, conditions and restrictions, provision that no violation thereof and no enforcement of any lien provided for therein shall defeat or render invalid the lien of a mortgage or deed of trust made in good faith and for value, but omitting and covenants or restrictions if any, based upon race color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under Title 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons.

Entitled : Declaration of Condominium Property Regime
Recorded : September 4, 2008 in the Bureau of Conveyances, State of Hawaii, as Document No. 2008-139287

Liens and charges for upkeep and maintenance as provided in the above mentioned Covenants, Conditions and Restrictions, if any, where no notice thereof appears on record.

For information regarding the current status of said liens and/ or assessments
Contact : ASSOCIATION OF APARTMENT OWNERS OF HALFORD
CONDOMINIUM ASSOCIATION

14. By-Laws of the Association of Apartment Owners of HALFORD CONDOMINIUM ASSOCIATION, recorded September 4, 2008 in the Bureau of Conveyances, State of Hawaii, as Document No. 2008-139288.

*Comments in parenthesis are explanations provided by Developer's attorney to assist Buyers in understanding the disclosures in this Exhibit "B". They are not approved by the title company and will not be set forth or referred to in Buyer's title insurance policy to be issued in this purchase.

EXHIBIT C

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

Estimate of Initial Maintenance Fees:

<u>Unit</u>	<u>Monthly Fee x 12 months = Yearly Total</u>
A	\$67.50 per month x 12 = \$810.00 per year
B	\$67.50 per month x 12 = \$810.00 per year

Developer's Statement: Buyer will be obligated to commence payments of common expenses immediately after closing of Buyer's purchase.

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

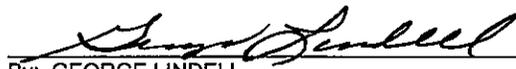
Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services	
Air Conditioning	
Electricity	
[]	common elements only
[]	common elements and units
Elevator	
Gas	
[]	common elements only
[]	common elements and units
Refuse Collection	
Telephone	
Water and Sewer(†)	\$40.00/month x 12 months = \$480.00
Maintenance, Repairs and Supplies	
Building	
Grounds	
Water lines	\$5.00/month x 12 months = \$60.00
Common Element Driveway	\$5.00/month x 12 months = \$60.00
Electrical Lines & Appurtenances	\$5.00/month x 12 months = \$60.00
Management	
Management Fee	
Payroll and Payroll Taxes	
Office Expenses	
Insurance	
Liability Insurance premiums	\$60.00/month x 12 months = \$720.00
Reserves(*)	
Replacement of common water lines	\$5.00/month x 12 months = \$60.00
Replacement of Common Element Driveway	\$5.00/month x 12 months = \$60.00
Replacement of common electrical lines	\$5.00/month x 12 months = \$60.00
Taxes and Government Assessments	
Audit Fees	\$5.00/month x 12 months = \$60.00
Other	
TOTAL	\$135.00/month x 12 months = \$1620.00

I, the undersigned condominium developer for the Halford Condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

THE MORTGAGE STORE, INC., a Hawaii corporation


By: GEORGE LINDELL (Signature)
Its: President

September 13, 2003
Date

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514B-148, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514B-148, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

This reserve amount is not based on a reserve study required by Hawaii law. The reserve study will be performed by the Association of Unit Owners.

(†) Water use will be metered and billed based on actual amounts used by each unit.

**ATTACHMENT 1 TO ESTIMATE OF
MAINTENANCE FEE DISBURSEMENTS**

The Developer, in arriving at the figure for "Reserves" in the attached estimate, has not conducted a reserve study in accordance with HRS §514B-148 and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Upon its formation, the Association should conduct a replacement reserve study for the common element driveway.

EXHIBIT D

SUMMARY OF DEPOSIT RECEIPT AND SALES CONTRACT

The Deposit Receipt and Sales Contract contains the price and other terms and conditions under which a purchaser will agree to buy a unit in the Project. Among other things, the Deposit Receipt and Sales Contract states:

- a. The total purchase price, method of payment and additional sums that must be paid in connection with the purchase of a unit.
- b. That the purchaser acknowledges having received and read a public report for the Project prior to signing the Deposit Receipt and Sales Contract.
- c. That the Developer makes no representations concerning rental of a unit, income or profit from a unit, or any other economic benefit to be derived from the purchase of a unit.
- d. That the purchaser's money will be held in escrow, under the terms of the Escrow Agreement.
- e. Requirements relating to the purchaser's financing of the purchase of a unit.
- f. That the unit and the Project will be subject to various other legal documents which the purchaser should examine, and that the Developer may change these documents under certain circumstances.
- g. That the Developer makes no warranties regarding the unit, the Project or anything installed or contained in the unit or the Project.
- h. That the Project may be subject to ongoing sales activities that may result in certain annoyances to the purchaser.
- i. That the purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

The Deposit Receipt and Sales Contract contains various other important provisions relating to the purchase of a unit in the Project. It is incumbent upon purchasers and prospective purchasers to read with care the specimen Deposit Receipt and Sales Contract on file with the Real Estate Commission.

EXHIBIT E

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement sets up an arrangement under which the deposits a purchaser makes pursuant to a Sales Contract will be held by a neutral party ("Escrow"). Under the Escrow Agreement, these things will or may happen:

- a. Escrow will let the purchaser know when payments are due.
- b. Escrow will arrange for the purchaser to sign all necessary documents.
- c. The purchaser will be entitled to a refund of his or her funds only under certain circumstances as set forth in the Sales Contract.

The Escrow Agreement also establishes the procedures for the retention and disbursement of a purchaser's funds and says what will happen to the funds upon a default under the Sales Contract. The Escrow Agreement contains various other important provisions and establishes certain charges with which a purchaser should be familiar. It is incumbent upon purchasers and prospective purchasers to read with care the executed Escrow Agreement on file with the Real Estate Commission.

EXHIBIT "F"

Description of Common Interest is as follows:

Unit A shall have a 50% undivided interest and Unit B shall have a 50% undivided interest (referred to as the "common interests") in all common elements of the Project and a said same respective share in all common profits and common expenses of the Project and for all other purposes, including voting.

EXHIBIT "G"

CHARMAINE TAVARES
Mayor

MILTON M. ARAKAWA, A.I.C.P.
Director

MICHAEL M. MIYAMOTO
Deputy Director



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

CARY YAMASHITA, P.E.
Engineering Division

BRIAN HASHIRO, P.E.
Highways Division

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

April 30, 2008

Ms. Arti Lynn Halford
70 Lumahal Place
Makawao, Hawaii 96768

**SUBJECT: MISCELLANEOUS INSPECTIONS #MISC 20070134 & #MISC 20070135
FOR H.R.S. SECTION 514B-84(a)(2)
TWO FARM DWELLINGS
LOCATED AT 70 & 72 LUMAHAHAL PLACE, MAKAWAO, MAUI, HAWAII
TMK (2) 2-4-027:004**

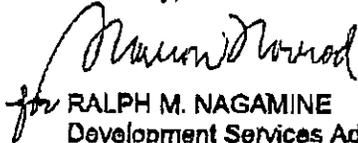
Dear Ms. Halford:

This is a follow up to our letter dated January 3, 2008, for miscellaneous inspections on two farm dwellings for a preliminary condominium public report on the subject property.

- We made a building re-inspection of the main farm dwelling on February 25, 2008, and found the second kitchen on the lower level removed, and the structure to be in general compliance with applicable codes. Please note that we were unable to inspect any of the concealed building work, and that the approved floor plan is to be that previously approved on Building Permit #B89/0711.
- We also noted that the three detached sheds on the property have been removed. Building permits were not required to demolish the structures.

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

Sincerely,


for RALPH M. NAGAMINE
Development Services Administrator

RMN/gn/rms S:\DS\Permits\MISC-INSP\2007-0134-0135_halford_follow_up_hra_ma.wp4

c: Hawaii Real Estate Commission
Planning Department
Real Property Tax Division

CHARMAINE TAVARES
Mayor

MILTON M. ARAKAWA, A.I.C.P.
Director

MICHAEL M. MIYAMOTO
Deputy Director



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

CARY YAMASHITA, P.E.
Engineering Division

BRIAN HASHIRO, P.E.
Highways Division

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

January 3, 2008

Ms. Arti Lynn Halford
70 Lumahai Place
Makawao, Hawaii 96768

**SUBJECT: MISCELLANEOUS INSPECTIONS #MISC 20070134 & #MISC 20070135
FOR H.R.S. SECTION 514B-84(a)(2)
TWO FARM DWELLINGS
LOCATED AT 70 & 72 LUMAHAI PLACE, MAKAWAO, MAUI, HAWAII
TMK (2) 2-4-027:004**

Dear Ms. Halford:

This is regarding your September 18, 2007, requests for miscellaneous inspections on two farm dwellings for a preliminary condominium public report on the subject property.

MISC #2007-0134 - MAIN FARM DWELLING (UNIT B)

- We made a plumbing inspection on September 24, 2007, and an electrical re-inspection on November 23, 2007, and found the premises to be in general compliance with applicable codes. Please note that we were unable to inspect any of the concealed plumbing or electrical work.
- We made a building re-inspection on November 19, 2007, and noted the following:

We issued Building Permit #B 89/0711 on March 29, 1989, for construction of the main farm dwelling with a carport, designated Unit B. The Floor Plan provided shows two kitchens within the main farm dwelling. Please provide documentation that the second kitchen on the lower level was permitted, remove the violation, or apply for an after-the-fact building permit for the duplex. Please contact Building Inspector Ann Freitas at 270-7375 to schedule a re-inspection after the violation has been removed, or the after-the-fact permit issued, and submit a corrected floor plan to this office after the violation has been abated.

January 3, 2008

Ms. Arti Lynn Halford

SUBJECT: MISCELLANEOUS INSPECTIONS #MISC 20070134 & #MISC 20070135
FOR H.R.S. SECTION 514B-84(a)(2)
TWO FARM DWELLINGS
LOCATED AT 70 & 72 LUMAHAI PLACE, MAKAWAO, MAUI, HAWAII
TMK (2) 2-4-027:004

Page 2 of 3

The enclosed carport was not permitted. The carport was returned to its original use by removing the unpermitted walls.

- The county assigned address for Unit B is 70 Lumahai Place.

MISC #2007-0135 - SECOND FARM DWELLING (UNIT A)

- We made plumbing and electrical inspections on September 24, 2007, and a building re-inspection on November 11, 2007, and found the premises to be in general compliance with applicable codes. Please note that we were unable to inspect any of the concealed building, electrical, or plumbing work.
- We issued Building Permit #B2006/1761 on August 7, 2006, for construction of the second farm dwelling designated Unit A. The county assigned address for Unit A is 72 Lumahai Place.

OTHER COMMENTS:

- There are three detached sheds within the Limited Common Element "B". Maui County Code Section 16.26.106.2(16) Work Exempt from Permit, exempts from building permit agriculture buildings less than 200 square feet in floor area. However, spacing between the structures must comply with Maui County Housing Code. Two of the sheds do not meet the minimum requirement of ten feet spacing between single-story buildings.
- There are no pending subdivisions, building and code appeals, or administrative waivers currently in process for the premises.
- We made a driveway inspection on September 19, 2007, and found the premises to be in general compliance with applicable codes.
- We also recommend that you call the Planning Department at 270-7735 to verify if there are any variances, or if the existing proposed uses, if any, are legally permitted.

January 3, 2008

Ms. Arti Lynn Halford

SUBJECT: MISCELLANEOUS INSPECTIONS #MISC 20070134 & #MISC 20070135
FOR H.R.S. SECTION 514B-84(a)(2)
TWO FARM DWELLINGS
LOCATED AT 70 & 72 LUMAHAI PLACE, MAKAWAO, MAUI, HAWAII
TMK (2) 2-4-027:004

Page 3 of 3

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

Sincerely,



RALPH M. NAGAMINE
Development Services Administrator

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c: Hawaii Real Estate Commission
Planning Department
Real Property Tax Division

**Paul L. Signore
Building Inspection Services
Inc.**

**70 Lumahai Place
Makawao, Maui, Hawaii 96768**

Comprehensive Building Inspection Report

Prepared For:
**Jennifer Basiliere / George Lindall
380 Hukuli'i Place #201
Kihei, Maui, Hawaii 96753**

Present at Inspection:
Paul L Signore - Inspector
Jennifer, Aaron & Holly (George's
daughter)

Agents:
N/A



**Paul L. Signore
Building Inspection Services
Inc.**

**70 Lumahai Place
Makawao, Maui, Hawaii 96768**

Comprehensive Building Inspection Report

Prepared For:
**Jennifer Basiliere / George Lindall
380 Hukuli'i Place #201
Kihei, Maui, Hawaii 96753**

Present at Inspection:
Paul L Signore - Inspector
Jennifer, Aaron & Holly (George's
daughter)

Agents:
N/A



*321 Upper Kimo Drive • Kula, Maui, HI 96790-8054
808 - 876 - 0170*

Introduction

Thank you for selecting **Paul L. Signore Building Inspection Services Inc.** as your building inspector. I am a certified member of ASHI® - American Society of Home Inspectors, Inc. and Past President and Founding Member of the Hawaiian Chapter of ASHI. I am also a certified member of The Foundation of Real Estate Appraisers - (FREAA) as a Residential/Commercial Real Estate Inspector, and an affiliate member of the RAM (Realtors Association of Maui, Inc.). I am also a past member of the Chimney Safety Institute. I have personally conducted over 9,500 building inspections over the last 23 years.

I am proud of the quality of my service and feel confident of my ability to give you the very best information available. All of my inspections are performed to the highest professional standards - **The Standards of Practice of the American Society of Home Inspectors - ASHI.** The inspection and this written report were performed in accordance with the ASHI Standards. A copy of the Standards is provided as an appendix to this written report.

You will also notice that Section II (Home Maintenance) is also provided on the accompanying CD for your convenience. This section of the report is designed to give you some guidelines in maintaining your home. You should consider the information provided in this section just as important as the inspection itself.

The purpose of the inspection is to provide you, the client, with a better understanding of property conditions observed at the time of the inspection only. I am primarily concerned with pointing out large expenses and/or safety related concerns, rather than small or cosmetic items, which are considered readily apparent to buyers themselves. Major items are defined as items which are estimated to cost more than \$1,000.00 to repair.

Note: Any estimated repair prices will not represent an offer to do such work. Firm estimates from licensed contractors should be secured for any work that may be required prior to closing escrow. Any projections of life span, in any sections of the report, or expectations for maintenance are my best estimates of what may occur. They are probabilities based on experience and the best available information - not definitive statements.

Each of my reports also include a customized response to the individual client's needs for information on a specific property for the sole use and benefit of the CLIENT. Under no circumstances shall the inspection report be for the benefit of any third party and shall not it be relied upon by anyone else. It is also based upon specific questions, concerns and discussions before, after and/or during the inspection. The inspection, the report and verbal discussions are integral components of this package. **If it was not possible for you to be present at the time of the inspection then call for a verbal consultation.** If you chose not to consult with me, then Paul L. Signore Building Inspection Services cannot be held liable for your unformed interpretation of the report's contents.

While some of the recommendations may be applied to all structures, their implementation by you, or any person you employ, on any other structures is not recommended without prior verification of their propriety.

The inspection is limited to that which can be seen - it is a limited visual observation of apparent conditions existing at the time of the inspection only. Latent and concealed defects and deficiencies are outside the scope of the inspection. It does not involve removing sections of walls or ceilings, excavating or otherwise opening the structure or dismantling mechanical systems. I do not do any destructive testing, nor can I see through walls, and so consumers should not expect their reports to include the condition of every nail, wire or pipe in the home.

You should not expect this report to serve as a guarantee or warrantee that the home's components won't ever fail or need repair or replacement at some point in the future. There are third party warranty programs available which may be obtained to insure you against failure of some of the major systems of the house. **I cannot eliminate all your risk in purchasing.** The inspection report's greatest value comes from utilizing the variety of recommendations - which should aid in prolonging the life of the respective building components and provide for greater efficiency in operation. No house is perfect, and they all need regular maintenance and repair.

The Standards do not require an inspector to enter, climb on or into, or move items or obstructions impeding access to any area which in his opinion is unsafe, hazardous, or potentially injurious to the inspector, other persons, the structure or its systems.

Dryrot is a major problem here on the islands. Our sub-tropical climate and humid conditions, be it natural or man-made through irrigation, condensation, poor building practices, lack of maintenance, overgrown vegetation or leaky plumbing are ideal conditions for this wood destroying organism and related fungi. Under these conditions the organism can experience rapid growth. Areas which appear normal can exhibit dryrot in as little as 30 days where none was suspected or noted at the time of an inspection.

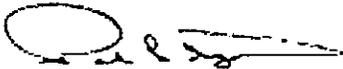
While my inspection and report may include observations of evident dryrot (and I do my best to discover it by observing susceptible areas, and the environmental conditions that may be conducive to it), this inspection and report cannot be relied upon to serve as a guarantee or warrantee that the structure is totally free of it. Dryrot and related fungi can literally grow anywhere, and it is beyond the scope of this type of inspection. One thing that I can say with certainty is that sooner or later all structures will exhibit dryrot at some point, in some area.

As an inspector I rely upon certain background information and research supplied by the Realtor(s), seller(s) or yourself. I do not represent, in any manner, that the land or structure to which this report refers to is in compliance with laws, rules or regulations of any government authority. While I believe that all of my recommendations meet building and health codes I do not recommend implementing any of my recommendations which would violate local codes. This is not a code inspection.

The inspection and the report are supplied as an aid in the decision making process in which you are now engaged. They are intended to be utilized as information tools. After occupancy, all buildings will have some defects which are not identified in the inspection report. If a problem occurs that you feel the report did not give you sufficient warning of, call me. Should there be any items in question or which you have become aware of by any means I should be notified immediately by phone and **in writing** and be allowed **access to the property to evaluate these items before any corrective action is taken.** Repairs taken without consultation with Paul L. Signore Building Inspection Services Inc. **releases Paul L. Signore Building Inspection Services Inc. of any and all liability.**

I remain at your service, as an information source, for a full year after the inspection! If there are any questions or concerns about items discussed in the report; or you need advise concerning how to best implement the recommendations, call for additional information.

Aloha Nui Loa,



Paul L. Signore - president

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Inspection Report

The following observations and suggested corrective actions are based upon a visual inspection of accessible areas and functioning utilities at the time of the inspection.

Those items requiring repairs or corrective actions are outlined in the individual sections of the report. No house is perfect, they all need regular maintenance and repair. The types of things that probably need to be done are in all likelihood the items which need to be done in the house you are now living in. The **Home Maintenance - Section II** of the report contains useful and important information regarding repairs, typical maintenance and preventative actions. When implemented, they will allow you to protect and perhaps enhance your investment.

If there are any questions or concerns please feel free to call. It is our intention to help simplify the inspection process and put your concerns in proper perspective.

Note: all directions - right, left, front and rear are from the perspective of facing the structures from the parking areas.

Exterior Components

Topography and Site Conditions

Conditions/observations:

70 Lumahai Place, Makawao, Maui, Hawaii is a single family dwelling and a cottage. The main building is approximately 21 years old. The cottage is less than 2 years old. The structures are located on a hillside sloping down from the rear to the front of the property. The weather conditions were: 78 degrees, partly sunny with 10 to 15 mile per hour trade winds. The exterior relative humidity was 57%.

Recommendations:

Minor regrading is necessary. Normal Typical Maintenance - see Home Maintenance Section - 2.2 (perimeter grading)

Siding

Conditions/observations:

House:

The building is sided with clapboard and plywood in a board and batten style. The trimwork is wood. The siding and trimwork is in typical condition for its age. There is no major dryrot or areas in need of immediate "major repair" or replacement. The front and left side (makai side) of the building have been sealed. The remaining areas are painted.

- There were areas on the rear exterior of the building which had been cut through. Naturally these areas are in need of repair / replacement.
- There are vines growing on the right side of the building. Photos 007, 008 & 009. They should be removed.
- There are trees and shrubbery in contact with the building. These should be maintained cutback or removed, especially at the left rear corner, the left side and front left corner of the building. Note: clear and easy access should be provided in front of the electrical meter and main.

Cottage:

The cottage is sided with vertical tongue and groove planking. The exterior of the building has not yet been sealed or painted. I recommend that you do so in the immediate future.

Recommendations:

Stain or seal the exterior of the cottage in the immediate future.¹ Cut back or remove the plantings in contact or in close proximity to the house.² Patch or replace the siding where the holes were cut through the building.³ Powerwash the exterior of the house in preparation for painting and sealing. I recommend that you use a product called JoMax mixed with bleach according to the manufacturer's directions.⁴ Normal Typical Maintenance - see Home Maintenance Section - 1.1 - 1.2 (Preparation & Primers) 1.3 (Stains) 2.1 & 2.2 (Plantings & Perimeter grading) 2.3 (Irrigation systems) 3.1 (Wood Preservatives & Repairs) 3.2 (Damaged trim and non-structural repairs) 3.3 (Dryrot Damaged areas and Structural Repairs)

There are professional wood restoration products which can be used on deteriorated wood which do not necessitate removal of the deteriorated wood and will restore the materials to their original strength. LiquidWood® and WoodEpoxy® There are also Boron based preservatives which can help control wood decay fungi and control termites Bora-Care® and Timbor® they are available from Abatron, Inc 5501 95th Ave, Kenosha, WI 53144 or call 1 - 800 - 445 - 1745 or 1-262 - 653 - 2000 website: <http://www.abatron.com> The company also produces products for concrete, metal and general maintenance - call or send for a catalogue.

Note: there are paints available with 20 plus years life expectancy - most paint manufacture's now produce them. These paints contain Acrylic Polymers and Polyurethane and do not cost much more or are comparable in price to normal high quality paints about \$30 a gallon. (Two high quality paints I recommend are: Valspar® available at Lowe's and Behr® available at Home Depot.)

Foundations & Structural Components

Conditions/observations:

House:

The building is constructed on a poured concrete slab on grade foundation. There were no evident major stress cracks or signs of serious settlement. There are typical settlement and shrinkage cracks. The foundation appeared to be in good condition. The building was

originally very well built and is equipped with bolted foundation tie downs. They were observed along the rear of the building where sections of the interior walls were removed. The accessible structural materials are treated lumber.

Cottage:

The cottage is constructed on a post and pier foundation. The piers are poured concrete. The main carrying beams are Glu-lams 3 x 16 the floor joists are 2 x 12's sixteen inches on center supporting plywood subflooring. The posts are 8 x 8's, the diagonal bracing is 4 x 6's. The floors joists beneath the deck areas are 2 x 10's. The accessible structural materials are treated lumber.

- There is a cut floor joist beneath the spa tub in the cottage. This was done to accommodate the piping. The cut joist should be boxed off to transfer the weight to the adjacent floor joists. Photos 092 & 093.

Recommendations:

Minor structural repairs. Box off the cut floor joist beneath the cottage spa tub to transfer the load to the adjacent joists.⁵ Normal Typical Maintenance - see Home Maintenance Section - 2.2 (Perimeter regrading) 3.1 (Wood Preservatives & Repairs) 4.1 & 4.2 Masonry & Painting concrete)

Entries and Doors

Conditions/observations:

House:

The front entry is from a concrete slab, in typical condition for its age. The main entry door is a wood door. The secondary doors are sliding glass panel doors and wood doors. The sliding glass doors and screens are in need of cleaning and lubrication. The rollers also appear to be worn. The sliding screen doors on the left side are damaged. Try cleaning and lubrication with a silicone based spray lubricant. The interior doors are hinged doors.

Cottage:

The main entry to the cottage is from a wood porch and stairway. The cottage is equipped with wood doors and French style doors.

- The doors were not yet painted.
- There was discoloration on the bathroom door (and also on the wood shutters in the bathroom) consistent with mold and mildew. These areas should be washed down with soap, water and 20 Mule Team Borax solution prior to priming and painting. A TSP solution can also be used in these areas. Photos 124 - 127.

Recommendations:

Replace the damaged screens (or screen doors) on the house.⁶ The sliding glass doors and screens are in need of servicing and possible roller replacement. - try cleaning and lubrication with a silicone based spray first.⁷ Wash down / clean the discolored areas of the cottage bathroom door and shutter windows.⁸ Normal Typical Maintenance - see Home

Maintenance Section -5.1 (Windows & Doors)

Decks

Conditions/observations:

House:

There is a deck off the left (Makai) side of the structure. The deck is in need of repairs and reinforcement.

- Several of the joist hangers have rusted off.
- There was dryrot to the decking boards especially along the left and front left corner of the deck and railings.

The rear lanai is a concrete slab, in satisfactory condition.

Cottage:

There is a wrap around deck on the cottage. The railings are wood. They are of adequate height and spacing.

Recommendations:

Replace the missing and rusted joist hangers on the house deck.⁹ Replace the dryrotted decking boards on the house deck as necessary.¹⁰ Replace the railings on the house deck.¹¹ I also recommend that you reinforce the deck to help reduce the risk of pull out and collapse

Side note: to reinforce this deck I recommend that you install thru bolted brackets. You can use tile down brackets or brackets specifically designed for this called Decklok (available at Miyaki Concrete) check out their web site for more information at: <http://www.deck-lok.com/>

Normal Typical Maintenance - see Home Maintenance Section 1.2 & 1.3 (Primers and Stains) 4.2 (Masonry & Painting Concrete)

Windows

Conditions/observations:

House:

The building is equipped with fixed glass, sliders and wood jalousies.

- There are missing slats on the wood jalousies off the upper level living room (deck side).

Cottage:

The building is equipped with wood jalousies.

Recommendations:

Replace the missing wood slats on the jalousies.¹² Normal Typical Maintenance - see Home Maintenance Section 5.1 (Windows and Doors).

Driveway

Conditions/observations:

The driveway is earth and gravel.

Recommendations:

N/A

Roof, Gutters and Attic Space

Conditions/observations:

House:

The roof was inspected by walking the surface. The roof areas are covered with asphalt shingles in typical condition for their age. There appears to 5 plus years of serviceable life remaining in this roof.

- The edges of the roof especially along the front of the building were damaged. For the time being (until the roof is replaced) I recommend that you install flashing beneath the last course of shingles to create a drip edge.
- The boots around the plumbing vent stacks are breaking down and should be replaced or resealed. Rather than replacing them, which may be difficult on older roofing you might want to consider resealing them or installing a new rubber boot or gasket. Side note: Petroleum based products should never be used directly on rubber so if you want to coat these areas with tar or roof sealant I recommend that you clean the areas off and then wrap them with an aluminum or stainless steel roof repair tape prior to applying the sealant.

The structure is not equipped with gutters and downspouts/leaders.

The small attic is accessed through the bathroom scuttlehole. The attic space was inspected by entering the attic space. There were inaccessible areas due to insulation.

The accessible roof rafters and support system/roof trusses were in good condition. There is tongue and groove subroofing. There were no signs of current leakage other than the areas around the plumbing vent stacks.

Cottage:

The cottage roof is covered with asphalt shingles. The rear gable end of the building the shingles were not finished. Photos 099, 100 & 101. It appears that a foil insulation wrap was installed beneath the shingles. There is no attic space in the cottage. The gable ends

which open into the building are vented. Photos 097 & 100.

Recommendations:

House: Install flashing materials beneath the bottom course of the shingles on the roof edges where they have been damaged. This will create a proper drip edge and keep the runoff water off the structure.¹³ Reseal the areas around the plumbing vent stacks.¹⁴

Cottage: Finish the installation of the shingles on the rear gable of the cottage.¹⁵
Minor repairs. Normal Typical Maintenance - see Home Maintenance Section 7.2 (Asphalt shingles) 7.6 (Gutters and downspouts)

Mechanicals

Electrical System

Conditions/observations:

House:

The cottage is equipped with an underground electrical service. The meter and main panel is located on the front left corner of the building. The subpanel is located in the lower level bathroom. This is a Westinghouse panel rated for up to 125 amps. The service is 120/240 volts. The branch wiring is nonmetallic shielded copper cable.

Side note: when refurbishing the building I recommend that you replace the outlets and switches. When wiring them I recommend that you use the screw connections and not the stab connections.

Cottage:

The cottage is equipped with an underground electrical service. The main panel is a Cutler-Hammer panel - this is a 200 amp service. The meter and main panel is located on the right rear corner. The structure is equipped with GFCI protected circuits/outlets for the Bathrooms, Kitchen, exterior outlets. The GFCI's were in proper working order.

- On the right side of the cottage the exterior outlet has a loose junction box- secure the box. Photo

Note: GFCI's or Ground Fault Circuit Interrupters - they protect you from serious shock. Newer Electrical code requires GFCI circuits. They should be installed in any damp area or within 6 feet of a water source, naturally in the kitchens, bathrooms, exterior receptacles and the garage or carport (if added).

There is also an Arc fault breaker for the bedroom area. Typical household fuses and circuit breakers do not respond to early arcing and sparking conditions in home wiring. By the time a fuse or circuit breaker opens a circuit to defuse these conditions, a fire may already have begun. A new electrical safety device for homes, called an arc fault circuit

interrupter or AFCI, is expected to provide enhanced protection from fires resulting from unsafe home wiring conditions.

AFCIs should not be confused with ground fault circuit interrupters or GFCIs. The popular GFCI devices are designed to provide protection from the serious consequences of electric shock. While both AFCIs and GFCIs are important safety devices, they have different functions. AFCIs are intended to address fire hazards; GFCIs address shock hazards. AFCIs are already recognized for their effectiveness in preventing fires. The most recent edition of the National Electrical Code, the widely adopted model code for electrical wiring, requires AFCIs for bedroom circuits in new residential construction, effective January 2002.

Recommendations:

Minor upgrades in the Electrical System. When refurbishing upgrade sections of the electrical system with the installation of GFCI protected outlets in the kitchen(s), bathroom(s) and exterior areas.¹⁶ Minor repairs in the Electrical System. Normal Typical Maintenance - see Home Maintenance Section - 8.1 (Electrical)

If it is your intention to use a computer I suggest that you consider using an uninterrupted power supply with surge suppression. I also suggest that you surge suppress the telephone line connection to your modem. APC makes a unit called "Back UPS @ Office" which contains 6 outlets: 3 battery backup and 3 surge protectors and with phone line surge protection. The unit sells for approximately \$40.00 - higher priced units have longer run times. Whole house surge protection is also available or protection for individual circuits - talk to a qualified electrician about this type of protection especially if you have expensive digital equipment.

Water

Conditions/observations:

The property is supplied with water by the public water supply system. The meter and main is located up and to the right of the property. There was adequate pressure and functional flow.

Recommendations:

Normal Typical Maintenance - see Home Maintenance Section - 8.2 (Water filtration) Consider installing a reverse osmosis water filtration system for your cooking and drinking water needs.

Note: Reverse Osmosis water filtration systems range in price from \$300 to \$900 here on Maui. (Note: Costco carries a quality five stage R.O. Filtration system for \$199.99 and a year's supply of filters for \$30.00) All R.O. Filtration systems have the same basic components but filtering mechanisms may vary. They are available through several sources, check the yellow pages. Here are several companies which I suggest you contact: The Waterstore in Kahului (near Blockbuster video), The Water Source in Lahaina, The Water Man & Western Slope Water - rental programs are also available which include all maintenance and servicing. Check prices, components and maintenance agreements. Two

different filter membranes are available - Thin Film Composite (TFC) membranes are the same type which are used in commercial systems and is superior to the Cellulose tri-acetate (CTA). There are also different grades of charcoal filters available - coarse and fine - the fine filters contain at least twice the surface area and last about twice as long. Note: some systems, not all, are equipped with an automatic water shut off when the system is full.

Side note: When having the system installed it requires a hookup to the cold water line. Typically this is done with a piercing saddle valve. I do not recommend the use of a saddle valve as they corrode and leak within a few years. A better alternative would be to install either an adapter (available at major hardware stores - Ace Marmac in Kahului carries them for under \$10.00) or install a double valve with a 1/4 inch take off on the cold water supplyline beneath the kitchen sink. If you have an ice maker or water dispenser on the refrigerator be sure to connect it to the supply line from the R.O. Filter system.

Plumbing

Conditions/observations:

The main supply lines are copper piping. The hot water lines are insulated. The wastelines are ABS (plastic) piping. All accessible plumbing lines were in typical condition for their age. The accessible supports for the plumbing were adequate.

Recommendations:

Normal Typical Maintenance - see Home Maintenance Section - 8.3 (Plumbing)

Waste System

Conditions/observations:

The structures are attached to a private waste systems. At the time of the inspection the system was in proper operating condition. There was functional drainage.

House:

The house is connected to a cesspool. The cottage is connected to a septic system.

Side note: we rely upon information provided by the realtor or current owner regarding if the waste system is private (cesspool/septic) or public. We do not check county or water management records.

Recommendations:

Normal Typical Maintenance - see Home Maintenance Section - 9.1 (Cesspools) 9.2 (Septic systems) 9.3 (Septic System Maintenance)

I recommend that you check the records regarding pumping of the waste system. Cesspools that need regular pumping are suspect to failure. Normally these system do not require pumping and the addition of additives to help digest the waste products are unnecessary. Cesspools are anaerobic systems and additives cannot survive under these

conditions. Not allowing grease, oils and fats into the system is a better way of maintaining a healthy cesspool or septic system.

Septic systems require regular pumping at least every 2 to 3 years. This is important in maintaining a healthy septic system. Septic systems that have not been pumped on a regular basis are suspect to failure.

Hot Water System

Conditions/observations:

House:

Hot water is supplied by a Ruud Ruudglas pacemaker 50 gallon electric water heater. The unit was leaking and in need of replacement. When replacing the unit I recommend that you consider installing a propane flash unit (Tankless heater). Be sure to size the unit appropriately. I recommend that you install a unit capable of at least 5 gallons per minute. Installing a propane unit would lessen the electrical demand in the building.

Cottage:

Hot water is supplied by a two panel solar hot water heating system with an 80 gallon electrically assisted storage tank (American Water Heater). The pressure relief valve has not been extended. There were no signs of current leakage around the tappings and heating element and thermostat. The pump and sensors were operating properly at the time of the inspection.. There is not a mixing valve/antiscald valve or a filter on the hot water supply line. The thermostat for the electrical backup was set to 150 degrees. The delivery temperature was 140 degrees.

There is a timer installed on the system. The tripper screws allow you to regulate the time the thermostats and elements are active. This can help reduce your energy consumption if they are used properly. I normally suggest that two sets be used: one for morning and one for evening usage.

Recommendations:

Replace the water heating system in the house.¹⁷ Extend the pressure relief valve on the cottage water heater tank. Do not reduce the size of the piping from the pressure relief valve and terminate it about 3 - 6 inches from the ground.¹⁸ Turn down the temperature on the hot water heater to 125 - 130 degrees to help reduce the risk of scalding.¹⁹

Normal Typical Maintenance - see Home Maintenance Section - 11.1 (Gas units) 11.2 (Electric units) 11.3 (Gray Box timer) 11.4 (Solar systems) 11.5 Maintenance for all style hot water heater tanks)

Propane

Conditions/observations:

The propane system for the house was dismantled. It was just a copper tube passed

through the wall to a portable tank located on the right side of the building.

Side note: propane piping which passes through a wall or floor should be rigid iron piping according to code.

The cottage is equipped with propane service. The tanks being used are small portable units. The hookup and pressure regulator are located to the right of the building beneath the deck. Photo 073. The piping is threaded iron pipe. There were no evident problems associated with the system. The appliances are equipped with shut off valves.

Side notes: depending upon how you will be finishing off the interior space of the house consider the following. Install two separate propane systems: one for the first floor and one for the second floor. This way you could separate out at least this utility. When replacing the appliances purchase propane fired appliances (ranges, dryers, flash water heaters and fireplaces) Propane tanks can be rented for about \$10 a month. This way the occupants are responsible for their own propane (and most of their energy costs). This would also save you from having to have the entire electrical system upgraded and or separated.

Recommendations:

Normal Typical Maintenance

Interior Components

Walls, Ceilings and Floors

Conditions/observations:

House:

The interior sections of the structure was partially gutted. The walls and ceilings were drywall/sheetrock. The vaulted areas of the ceilings were plank and beam. The floor covering were removed. The interior stairway is equipped with grippable handrailings.

The floor coverings have been removed exposing the plywood subflooring and the concrete slab on the ground floor level. There were typical settlement and shrinkage cracks in the concrete flooring. The plywood subflooring in the upper level was delaminating. At the time of the inspection you stated that the plywood flooring was to be removed and replaced.

There were discolored areas throughout the house and on the right side open area ceiling which were consistent with mold and mildew. I recommend that all discolored areas of drywall be removed and the areas treated. (See the section below on Side notes on Mold and Mildew)

Cottage:

The interior of the cottage was undergoing renovation/completion.

Recommendations:

Be sure to fill the cracks and seal the concrete floor on the ground level of the house prior to applying any new floor coverings.²⁰ Normal Typical Maintenance - see Home Maintenance Section - 1.4 (Interior painting) 5.1 (Windows & Doors)

Side Notes on Mold & Mildew

Mold, mildew and fungi are opportunistic organisms. Spores for all types of mold and mildew lay dormant waiting for the proper conditions to occur. The addition of moisture and poor ventilation are ideal conditions for these organisms to flourish. Under the right conditions colonies can become established in as little as 3 to 4 days. We do not normally recommend swab testing or air quality testing for mold or mold spores during a normal home inspection unless you know you have specific allergies to specific mold types. Mold spores are present everywhere, testing for them is an unnecessary expense which can cost \$1,000 and up.

Mold and related organisms are "symptoms of conditions" which requires further investigation to determine the reason for its occurrence. Remediation techniques for all mold, mildew and fungi are the same no matter what type is present. Your money is better spent in correcting the conditions which caused the mold in the first place, and not in determining the types of mold that are present. If moisture is eliminated or kept to minimum mold and fungi cannot thrive. The only time that I recommend that you have mold testing done is when a large scale remediation project is undertaken - we can provide this service or you if necessary.

People are sensitive to mold and mildew to various degrees. *Stachybotrys*, *Penicillium*, *Cladosporium* and *Aspergillus* which are commonly found in indoor environments can cause symptoms in exposed people ranging from mild allergic reactions to severe. Persons with chronic exposure to these toxins report cold or flu like symptoms with sore throat, diarrhea, headaches, fatigue, dermatitis, intermittent local hair loss and general malaise. The toxins may also suppress the immune system. People with suppressed immune systems, elderly and infants may be particularly susceptible to the effects of these inhaled mycotoxins. As a safety precaution be sure to wear protective clothing, latex gloves, eye protection and a respirator when cleaning or repairing any suspected moldy or mildewed areas. For more information check out The EPA Website at <http://www.epa.gov/iaq/molds/>

Recommendations:

Wash down any discolored areas with soap, water and Borax solution. Do not use bleach - this will change the pH of the materials and can help promote mold growth. Bleach is ok to use on solid surfaces such as stone and ceramic tile. A better alternative would be to use a Borax Disinfectant and Mold Killer: 1 tsp-1/4 cup borax, up to 2 cups hot water. Wash the area then rinse well. For areas with heavier mold or discoloration, use a higher concentration of borax. If water damaged materials require replacement I recommend that you treat the exposed wall and ceiling cavity areas with a Boron based preservative prior to replacing the finish materials. Several well known products are Bora-Care® and Timbor®. The Home Depot carries a locally produced Boron based preservative called Clear-bor®. Boron based products are relatively benign and are highly affective.

Prior to painting I recommend that the walls be washed with Soilax® or a TSP substitute. Any discolored areas should be sealed/primed with Kilz® or B.I.N. Stain killer® When

repainting consider adding a mildewcide to the paint. I also recommend that you keep furnishings several inches away from the walls to help promote good air circulation. If you have air conditioning periodically check the condensate drain to ensure that it is properly draining. Periodically check and clean the condensate drain pan beneath your refrigerator. Remember reducing relative humidity with a dehumidifier or an air conditioner, repairing any leaking pipes or roof leaks, providing adequate air movement and plenty of light will reduce the potential for mold, mildew and fungi.

Kitchens & Appliances

Conditions/observations:

The kitchens in the house have been removed.

The kitchen in the cottage was in the process of being renovated /completed.

Recommendations:

When installing or replacing a dryer vent duct connector be sure to use a semi rigid / flexible aluminum dryer vent duct connector. Check and clean the dryer vent duct connector at least 2 to 3 times a year. This will help reduce the risk of a lint fire as well as improve the efficiency of the dryer. If the dryer vent duct connector is connected to a venting system have the vent duct checked and cleaned at least once a year. When replacing or installing the hoses to the washer I recommend that you consider installing the burst resistant braided stainless steel style hoses. The smoke detectors should be replaced and upgraded. I recommend that they be installed in the bedrooms hallways and in the living room areas. This should be done at least every 10 years or so. Be sure to test them on a monthly basis.²¹ Normal Typical Maintenance - see Home Maintenance Section - 14.1 (Appliances)

Bathrooms

Conditions/observations:

House:

The bathrooms in the house have been gutted.

Cottage.

The bathroom in the cottage was under renovation. The spa tub was not filled and tested. This is the area where there is a cut floor joist.

Recommendations:

Normal Typical Maintenance - see Home Maintenance Section - 13.1 (Bathrooms) 13.2 (Whirlpools) For cleaning and polishing fiberglass or cultured marble surfaces I recommend Gel Gloss®.

Side note: plastic piping is only hand tightened and periodically it should be checked - the typical expansion and contraction which plastic undergoes can

cause the connections on the traps to loosen. Be sure not to overtighten the connections, they will strip if tightened too much, they should just be snug.

Fireplaces & Chimneys

Conditions/observations:

The fireplaces are prefabricated units. The chimneys are prefabricated units. **These systems are a fire hazard. I do not recommend that they be used.**

- The interior /firebox areas of the fireplaces are deteriorated.
- The throats at the top of the smoke domes were rusting through.
- These units cannot be repaired or modified.

Recommendations:

Remove the fireplaces and chimneys.²² You might want to consider installing direct vent propane fireplaces. These units are also heat producers.²³ Normal Typical Maintenance - see Home Maintenance Section -12.1 (Wood burning stoves and fireplaces)

Repairs and Items Requiring Attention

Please do not rely solely on this list - be sure to read the entire report and Detailed Sections.

1. Stain or seal the exterior of the cottage in the immediate future.
2. Cut back or remove the plantings in contact or in close proximity to the house.
3. Patch or replace the siding where the holes were cut through the building.
4. Powerwash the exterior of the house in preparation for painting and sealing. I recommend that you use a product called JoMax mixed with bleach according to the manufacturer's directions.
5. Box off the cut floor joist beneath the cottage spa tub to transfer the load to the adjacent joists.
6. Replace the damaged screens (or screen doors) on the house.
7. The sliding glass doors and screens are in need of servicing and possible roller replacement - try cleaning and lubrication with a silicone based spray lubricant first - not WD-40.
8. Wash down / clean the discolored areas of the cottage bathroom door and jalousie windows.
9. Replace the missing and rusted joist hangers on the house deck.
10. Replace the dryrotted decking boards on the house deck as necessary.
11. Replace the railings on the house deck.
12. Replace the missing wood slats on the jalousies - house deck side of living room.
13. Install flashing materials beneath the bottom course of the shingles on the roof edges where they have been damaged. This will create a proper drip edge and keep the runoff water off the structure. (House)
14. Reseal the areas around the plumbing vent stacks - house roof.
15. Finish the installation of the shingles on the rear gable of the cottage.
16. When refurbishing the house upgrade sections of the electrical system with the installation of GFCI protected outlets in the kitchen(s), bathroom(s) and exterior areas.
17. Replace the water heating system in the house.

18. Extend the pressure relief valve on the cottage water heater tank. Do not reduce the size of the piping from the pressure relief valve and terminate it about 3 - 6 inches from the ground.
19. Turn down the temperature on the hot water heater to 125 - 130 degrees to help reduce the risk of scalding.
20. Be sure to fill the cracks and seal the concrete floor on the ground level of the house prior to applying any new floor coverings. This will reduce the potential for water intrusion.
21. The smoke detectors should be replaced and upgraded. I recommend that they be installed in the bedrooms hallways and in the living room areas. This should be done at least every 10 years or so. Be sure to test them on a monthly basis.
22. Remove the fireplaces and chimneys.
23. You might want to consider installing direct vent propane fireplaces. These units are also heat producers.