

## CONDOMINIUM PUBLIC REPORT

Prepared &  
Issued by:

Developer ML VILLAGES LLC  
Address 75-1000 Henry Street, Suite 200, Kailua-Kona, HI 96740

Project Name (\*): THE VILLAGES AT MAUNA LANI  
Address: Lot 4, North Kaniku Drive, Kohala Coast, Hawaii 96743

Registration No. 4547 Effective date: January 30, 2001  
Expiration date: March 2, 2002

### Preparation of this Report:

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

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

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

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

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

### Type of Report:

- ☒ **PRELIMINARY:**  
(yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.
- ☐ **FINAL:**  
(white) The developer has legally created a condominium and has filed complete information with the Commission.  
☐ No prior reports have been issued.  
☐ This report supersedes all prior public reports.  
☐ This report must be read together with \_\_\_\_\_
- ☐ **SUPPLEMENTARY:**  
(pink) This report updates information contained in the:  
☐ Preliminary Public Report dated: \_\_\_\_\_  
☐ Final Public Report dated: \_\_\_\_\_  
☐ Supplementary Public Report dated: \_\_\_\_\_
- And ☐ Supersedes all prior public reports  
☐ Must be read together with \_\_\_\_\_  
☐ This report reactivates the \_\_\_\_\_  
public report(s) which expired on \_\_\_\_\_

(\*) Exactly as named in the Declaration  
FORM: RECO-30 286/986/189/1190/892/0197/1098/0800

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

**Disclosure Abstract:** Separate Disclosure Abstract on this condominium project:

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

**Summary of Changes from Earlier Public Reports:**

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

☒ No prior reports have been issued by the developer.

☐ Changes made are as follows:

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## **General Information On Condominiums**

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

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

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

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

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

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

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

## **Operation of the Condominium Project**

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

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

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

## I. PERSONS CONNECTED WITH THE PROJECT

Developer: ML VILLAGES LLC Phone: (808) 331-8100  
Name\*  
75-1000 Henry Street, Suite 200  
Business Address  
Kailua-Kona, Hawaii 96740  
(Business)

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

The sole member of the developer is ML South Kohala LLC, a Delaware limited liability company. Maryl Group, Inc., a Hawaii corporation, is a member of ML South Kohala LLC and authorized to execute documents on behalf of ML South Kohala LLC. The Officers and Directors of Maryl Group, Inc., are as follows: MARK S. RICHARDS (President/Treasurer/Director); CHERYL L. RICHARDS (Vice President/Director); EDWARD J. RAPOZA (Vice President); and KENNETH M. MELROSE (Secretary/Director)

Real Estate  
Broker\*: Maryl Realty, Inc. Phone: (808) 331-8200  
Name  
P.O. Box 1928  
Business Address  
Kailua-Kona, Hawaii 96745  
(Business)

Escrow: Title Guaranty Escrow Services, Inc., Kona Office Phone: (808) 329-6666  
Name  
75-170 Hualalai Road, C-310  
Business Address  
Kailua-Kona, Hawaii 96740  
(Business)

General  
Contractor\*: Maryl Construction, Inc. Phone: (808) 331-8100  
Name  
P.O. Box 1928  
Business Address  
Kailua-Kona, HI 96745  
(Business)

Condominium  
Managing  
Agent\*: (NOT YET DETERMINED) Phone: \_\_\_\_\_  
Name  
\_\_\_\_\_  
Business Address  
\_\_\_\_\_

Attorney for  
Developer: Brooks Tom Porter & Quitiquit Phone: (808) 526-3011  
Name  
841 Bishop Street, Suite 2125  
Business Address  
Honolulu, Hawaii 96813  
Attn: Jeffrey D. Watts, Esq.  
(Business)

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

## II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

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

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

The Declaration for this condominium is:

☒ Proposed

☐ Recorded - Bureau of Conveyances: Document No. \_\_\_\_\_  
Book \_\_\_\_\_ Page \_\_\_\_\_

☐ Filed - Land Court: Document No. \_\_\_\_\_

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

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

The Condominium Map for this condominium project is:

☒ Proposed

☐ Recorded - Bureau of Conveyances Condo Map No. \_\_\_\_\_

☐ Filed - Land Court Condo Map No. \_\_\_\_\_

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

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

The Bylaws for this condominium are:

☒ Proposed

☐ Recorded - Bureau of Conveyances: Document No. \_\_\_\_\_  
Book \_\_\_\_\_ Page \_\_\_\_\_

☐ Filed - Land Court: Document No. \_\_\_\_\_

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

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

The House Rules for this condominium are:

☒ Proposed                      ☐ Adopted                      ☐ Developer does not plan to adopt House Rules

**E. Changes to Condominium Documents**

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

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

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

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

2. Developer:

☐ No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.

☒ Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

At any time prior to the first recording of a conveyance or transfer (other than for security) of an Apartment and its appurtenances to a party not a signatory to the Declaration, the Developer may amend the Declaration (including all exhibits), the Bylaws and the Condominium Map in any manner, without the consent or joinder of any Apartment purchaser or any other party. Notwithstanding the lease, sale or conveyance of any of the Apartments, the Developer may amend the Declaration (and when applicable, any exhibits to the Declaration) and the Condominium Map to file the "as-built" verified statement required by Section 514A-12 of the Act. For so long as the Developer retains any interest in an Apartment in the Project, the Developer shall have the right (but not the obligation) to amend the Declaration and the Bylaws (and the Condominium Map, if appropriate) without the consent or joinder of any Apartment Owner, lienholder or other person or entity, for the purpose of meeting any requirement imposed by (i) any applicable law, (ii) the Real Estate Commission of the State of Hawaii, (iii) any title insurance company issuing a title insurance policy on the Project or any of the Apartments, (iv) any institutional lender lending funds on the security of the Project or any of the Apartments, or (v) any other governmental or quasi-governmental agency including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the U.S. Department of Housing and Urban Development or the Veterans Administration; provided, however, that no amendment which would change the common interest appurtenant to an Apartment or substantially change the design, location or size of an Apartment shall be made without the consent of all persons having an interest in such Apartment. Prior to the election of the first Board of Directors, the Developer may amend the Rules and Regulations in any manner without the joinder, consent or approval of any other party. The Developer may also amend the Condominium Map until recordation of the last Apartment Deed to reflect addition of one or more maintenance buildings to the common elements, pursuant to Section 8.4 of the Bylaws.

### III. THE CONDOMINIUM PROJECT

#### A. Interest to be Conveyed to Buyer:

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

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

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

Lease Term Expires: \_\_\_\_\_ Rent Renegotiation Date(s) \_\_\_\_\_

Lease Rent Payable:      ☐ [ ] Monthly                              ☐ [ ] Quarterly  
                                 ☐ [ ] Semi-Annually                              ☐ [ ] Annually

Exhibit \_\_\_\_ contains a schedule of the lease rent for each apartment per: ☐ [ ] Month ☐ [ ] Year

#### For Subleaseholds:

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

- ☐ [ ] Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Subleasehold:

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

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

Lease Term Expires: \_\_\_\_\_ Rent Renegotiation Date(s) \_\_\_\_\_

Lease Rent Payable:      ☐ [ ] Monthly                              ☐ [ ] Quarterly  
                                 ☐ [ ] Semi-Annually                              ☐ [ ] Annually

Exhibit \_\_\_\_ contains a schedule of the lease rent for each apartment per: ☐ [ ] Month ☐ [ ] Year

- ☐ [ ] Other:



## **IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS**

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

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

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

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

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

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

### **B. Underlying Land:**

Address: Lot 4, North Kaniku Drive  
Kohala Coast, Hawaii 96743

Tax Map Key (TMK): (3 ) 6-8-022-004

☒ Address ☐ TMK is expected to change because street numbers will be assigned when building permits are issued.

Land Area: approx. 29.874 ☐ square feet ☒ acre(s) Zoning: Multifamily (RM-3.0)

Fee Owner: ML Villages LLC  
 Name  
75-1000 Henry Street, Suite 200  
 Address  
Kailua-Kona, Hawaii 96740

Lessor: n/a  
 Name  
 Address

**C. Buildings and Other Improvements:**

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

2. Number of Buildings: seventy-nine (79) residential, Floors Per Building 1 and 2  
three (3) recreation buildings

☐ Exhibit \_\_\_\_\_ contains further explanations.

3. Principal Construction Material:

☐ Concrete ☐ Hollow Tile ☒ Wood

☒ Other Stucco, glass, tile roofing and allied building materials

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>135</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	<u>          </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	<u>          </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	<u>          </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	<u>          </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	<u>          </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	<u>          </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	<u>          </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	<u>          </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other:	<u>          </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

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

☒ Yes ☐ No

5. Special Use Restrictions:

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

[X] Pets: Dogs, cats and other generally recognized household pets permitted in reasonable numbers, with prior approval of the Board. See Rules and Regulations.

[ ] Number of Occupants: \_\_\_\_\_

[X] Other: The Project is subject to the "Master Declaration" and the "Master Deed" described in Paragraph 24 of the Project's Declaration. The Master Declaration and the Master Deed impose various restrictions on the use of the Project, and the Buyer is encouraged to read both the Master Declaration and the Master Deed very carefully.

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Units A & B = 0

Unit C = 3 each half-story

Elevators: - 0 -

Stairways: Unit D = 1

Trash Chutes: - 0 -

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Lanai Area (sf)</u>	<u>Net Garage Area (sf)</u>
<u>A</u>	<u>13</u>	<u>3/3.5</u>	<u>2555</u>	<u>144</u>	<u>445</u>
<u>B</u>	<u>10</u>	<u>3/3.5</u>	<u>2518</u>	<u>228</u>	<u>475</u>
<u>C</u>	<u>59</u>	<u>3/3.5</u>	<u>2888</u>	<u>428</u>	<u>476</u>
<u>D</u>	<u>53</u>	<u>3/3.5</u>	<u>2185</u>	<u>407</u>	<u>482</u>

Total Apartments: 135

SEE EXHIBIT "A"

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

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

Boundaries of Each Apartment:

SEE EXHIBIT "B"

Permitted Alterations to Apartments:

SEE EXHIBIT "C"

7. Parking Stalls:

Total Parking Stalls: 280

	<u>Regular</u>		<u>Compact</u>		<u>Handicap</u>		<u>TOTAL</u>
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	
Assigned (for each unit)	<u>270*</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>270</u>
Guest	<u>          </u>	<u>9</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>1</u>	<u>10</u>
Unassigned	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Extra for Purchase	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Other:	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Covered & Open	<u>279</u>	<u>          </u>	<u>0</u>	<u>          </u>	<u>1</u>	<u>          </u>	<u>280</u>

\*Each apartment will have the exclusive use of 2 parking stall(s), located in the apartment's attached garage. Buyers are encouraged to find out which stall(s) will be available for their use.

☐ Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

☐ There are no recreational or common facilities.

☒ Swimming pool      ☐ Storage Area      ☒ Recreation Area

☐ Laundry Area      ☐ Tennis Court      ☐ Trash Chute/Enclosure(s)

☒ Other: The recreation area includes the swimming pool, restrooms, showers, a common room, a kitchenette and a spa.

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

☒ There are no violations.      ☐ Violations will not be cured.

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

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

N/A

11. Conformance to Present Zoning Code

a. ☒ No variances to zoning code have been granted.

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

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

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

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

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

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

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

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

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

☒ described in Exhibit "D".

☐ as follows:

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

☐ There are no limited common elements in this project.

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

☒ described in Exhibit "E".

☐ as follows:

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

☒ described in Exhibit "A".

☐ as follows:

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

Exhibit "F" describes the encumbrances against the title contained in the title report dated December 15, 2000 and issued by Title Guaranty of Hawaii, Inc.

### Blanket Liens:

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

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

[X] There are blanket liens which may affect title to the individual apartments. [there will be, though there is none yet]

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed <b>Prior to Conveyance</b></u>
Mortgage	If the Developer defaults before the Apartment is conveyed to Buyer, the Mortgagee will have the right to decide whether to sell the Apartment to the Buyer under the Sales Contract or to terminate the Sales Contract. If the Mortgagee terminates the Sales Contract, Buyer's deposit will be refunded, less any escrow cancellation fee, and Buyer shall have no further interest under the Sales Contract.

### **F. Construction Warranties:**

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

#### 1. Building and Other Improvements:

The developer intends to require the general contractor to provide a one-year warranty, commencing upon the "Date of Completion" (as defined in section 507-43 of the Hawaii Revised Statutes, as amended), that (a) the materials and equipment furnished for construction of the project will be of good quality and new, unless the construction contract requires or permits that the materials and equipment be otherwise; and (b) the construction and services required by the construction contract (including all labor, materials and equipment to be provided by the general contractor) will be free from defects, except for defects inherent in the quality of the construction and services required or permitted by the construction contract. Without incurring any legal liability, the developer will agree to cooperate with the buyer to try to have the general contractor perform all of the general contractor's warranties. (See section E.14 of the Sales Contract.)

#### 2. Appliances:

Appliance warranty information is not yet available because appliances have not yet been purchased. However, the developer intends to transfer to the buyer any manufacturer's or dealer's warranties that are transferable and cover appliances sold with the apartments.

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

The Project will be constructed in several increments. The Developer estimates that construction of the first increment will commence on or about March 30, 2001, and will be completed on or about September 1, 2001. The Developer estimates that construction of the entire Project will be completed on or about December 31, 2003.

**H. Project Phases:**

The developer [X] has ☐ has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right to perform for future development (such as additions, mergers or phasing):

SEE PAGE 20 BELOW.

SEE ALSO EXHIBIT "G" ATTACHED.



#### IV. CONDOMINIUM MANAGEMENT

- A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliate is the initial condominium managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial condominium managing agent for this project, named on page five (5) of this report, is:

<input type="checkbox"/> not affiliated with the Developer	<input type="checkbox"/> the Developer or the Developer's affiliate
<input type="checkbox"/> self-managed by the Association of Apartment Owners	<input checked="" type="checkbox"/> other <u>NOT YET DETERMINED</u>

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

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

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

Exhibit "H" contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

- C. **Utility Charges for Apartments:**

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

<input type="checkbox"/>	None	<input type="checkbox"/>	Electricity ( <input checked="" type="checkbox"/> Common Elements only	<input type="checkbox"/> Common Elements & Apartments)
<input type="checkbox"/>	Gas ( <input checked="" type="checkbox"/> Common Elements only	<input type="checkbox"/>	Common Elements & Apartments)	
<input checked="" type="checkbox"/>	Water	<input checked="" type="checkbox"/>	Sewer	<input checked="" type="checkbox"/> Television Cable
<input checked="" type="checkbox"/>	Other: <u>Telephone; refuse collection</u>			

## V. MISCELLANEOUS

### A. Sales Documents Filed With the Real Estate Commission:

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

☐ Notice to Owner Occupants

☒ Specimen Sales Contract

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

☒ Escrow Agreement dated December 13, 2000

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

☐ Other \_\_\_\_\_

### B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

C) One of the following has occurred:

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

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

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

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

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

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

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107, are available at the Cashier's Office, Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P. O. Box 541, Honolulu, HI 96809, at a nominal cost.

This Public Report is part of Registration No. 4547 filed with the Real Estate Commission on January 5, 2001.

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☒ YELLOW paper stock                      ☐ WHITE paper stock                      ☐ PINK paper stock

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

Development in Increments. The one hundred thirty-five (135) apartments in the Project will be constructed in several increments. As each increment nears completion, the Developer will issue a Final or Supplementary Public Report identifying the completed or near-completed apartments, and only those apartments covered by a Final or Supplementary Public Report will be sold to purchasers under binding sales contracts. However, the Developer will continue to market all of the apartments described in this Preliminary Public Report, and purchasers will be able to enter into nonbinding contracts for the apartments that have not yet been covered in a Final or Supplementary Public Report.

Master Deed and Master Declaration. The Project is subject to the terms, conditions, restrictions and reservations set forth in that certain Limited Warranty Deed, dated August 15, 2000, recorded in the Bureau as Document No. 2000-112838 (the "Master Deed"). The Project is also subject to that certain Mauna Lani Resort Association Declaration of Covenants and Restrictions, dated June 3, 1982, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 1120889, and also recorded in the Bureau in Book 16425, Page 203, as now or hereafter amended (the "Master Declaration"), and all rules and regulations promulgated under the Master Declaration. By acquiring an interest in the Project, each Owner agrees to observe and comply with all covenants, conditions, restrictions and other requirements to which the Project is subject under the Master Deed and the Master Declaration.

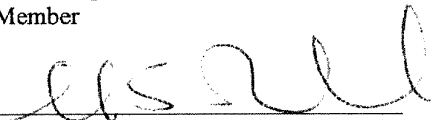
Golf Course Covenants. Under the Sales Contract, the Buyer acknowledges that the Project is in the vicinity of or adjacent to a golf course. The Buyer covenants and agrees that by accepting an interest in the Apartment, Buyer assumes all risks associated with the location of the Project in the vicinity of or adjacent to a golf course, including, but not limited to, the risk of property damage or personal injury arising from stray golf balls or actions incidental to golf course or resort-related activities (including, without limitation, tournaments, maintenance and repair activities, the use of fertilizers and pesticides, noise, etc.) and the Buyer will indemnify and hold harmless the owner of the golf course, the Developer, the Association of Apartment Owners of the Project and the Mauna Lani Resort Association from any liability, claims or expenses, including attorney's fees, arising from such property damage or personal injury.

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A- ] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

ML VILLAGES LLC, a Delaware limited liability company  
Printed Name of Developer

By ML South Kohala LLC,  
a Delaware limited liability company  
Its Sole Member

By Maryl Group, Inc.,  
a Hawaii corporation  
Its Member

By:  12-27-00  
Duly Authorized Signatory\* Date

Mark S. Richards, President of Maryl Group, Inc., a Hawaii corporation  
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Hawaii  
Planning Department, County of Hawaii

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

## **DESCRIPTION OF APARTMENTS**

The Project contains four (4) different types of Apartments, designated herein and on the Condominium Map as Type A, Type B, Type C and Type D, and more particularly described as follows:

### **TYPE A APARTMENTS:**

The Project contains thirteen (13) Type A Apartments. Each Type A Apartment is contained in a separate, single-story free-standing building and includes three (3) bedrooms, three and one-half (3.5) bathrooms, a kitchen, a dining room and “great room”, a study, an entry foyer and a laundry room for a combined net living area of approximately 2,555 square feet. Each Type A Apartment also includes a two-car garage with a net area of approximately 445 square feet, and a covered lanai with a net area of approximately 144 square feet, for a total aggregate net area of approximately 3,144 square feet.

### **TYPE B APARTMENTS:**

The Project contains ten (10) Type B Apartments. Each Type B Apartment is contained in a separate, single-story free-standing building and includes three (3) bedrooms, three and one-half (3.5) bathrooms, a kitchen, a dining room and “great room”, a study, an entry foyer and a laundry room for a combined net living area of approximately 2,518 square feet. Each Type B Apartment also includes a two-car garage with a net area of approximately 475 square feet, and a covered lanai with a net area of approximately 228 square feet, for a total aggregate net area of approximately 3,221 square feet.

### **TYPE C APARTMENTS:**

The Project contains fifty-nine (59) Type C Apartments. Each Type C Apartment is one-half of a side-by-side duplex and shares a two-story free-standing building with either another Type C Apartment or with a Type D Apartment. The Apartments in each duplex building are connected by a common wall. Each Type C Apartment includes three (3) bedrooms (2 on the lower level and 1 on the upper level), three and one-half (3.5) bathrooms (2 on the lower level and 1.5 on the upper level), a laundry room, storage room and entry foyer (lower level) and a kitchen, dining room and “great room” (upper level) for a combined net living area of approximately 2,888 square feet. Each Type C Apartment also includes a two-car garage with a net area of approximately 476 square feet, and covered lanais on both the lower and upper levels with a combined net area of approximately 428 square feet, for a total aggregate net area of approximately 3,792 square feet.

### **TYPE D APARTMENTS:**

The Project contains fifty-three (53) Type D Apartments. Each Type D Apartment is one-half of a side-by-side duplex and shares a two-story free-standing building with either another Type D Apartment or with a Type C Apartment. The Apartments in each duplex

## **EXHIBIT “A”**

### **PAGE 1**

building are connected by a common wall. Each Type D Apartment includes three (3) bedrooms (1 on the lower level and 2 on the upper level), three and one-half (3.5) bathrooms (1.5 on the lower level and 2 on the upper level), and a laundry room, entry foyer, kitchen, dining area and “great room” (lower level) for a combined net living area of approximately 2,185 square feet. Each Type D Apartment also includes a two-car garage with a net area of approximately 482 square feet, and covered lanais on both the lower and upper levels with a combined net area of approximately 407 square feet, for a total aggregate net area of approximately 3,074 square feet.

The numbers, types, approximate areas and common interests of the Apartments are as shown below.

Apartment Number	Apartment Type	Approx. Net Living Area in Square Feet	Approx. Lanai Area in Square Feet	Approx. Garage Area in Square Feet	Common Interest
101	B	2518	228	475	0.74074%
102	A	2555	144	445	0.74074%
103	A	2555	144	445	0.74074%
104	B	2518	228	475	0.74074%
105	A	2555	144	445	0.74074%
106	C	2888	428	476	0.74074%
107	C	2888	428	476	0.74074%
108	C	2888	428	476	0.74074%
109	C	2888	428	476	0.74074%
110	C	2888	428	476	0.74074%
111	C	2888	428	476	0.74074%
112	D	2185	407	482	0.74074%
113	D	2185	407	482	0.74074%
114	D	2185	407	482	0.74074%
115	D	2185	407	482	0.74074%
201	C	2888	428	476	0.74074%
202	C	2888	428	476	0.74074%
203	C	2888	428	476	0.74074%
204	C	2888	428	476	0.74074%
205	A	2555	144	445	0.74074%
206	C	2888	428	476	0.74074%
207	C	2888	428	476	0.74074%
208	C	2888	428	476	0.74074%
209	C	2888	428	476	0.74074%
210	C	2888	428	476	0.74074%
211	C	2888	428	476	0.74074%
212	D	2185	407	482	0.74074%
213	D	2185	407	482	0.74074%
214	D	2185	407	482	0.74074%
215	D	2185	407	482	0.74074%
301	B	2518	228	475	0.74074%

**EXHIBIT “A”**

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Apartment Number	Apartment Type	Approx. Net Living Area in Square Feet	Approx. Lanai Area in Square Feet	Approx. Garage Area in Square Feet	Common Interest
302	A	2555	144	445	0.74074%
303	A	2555	144	445	0.74074%
304	B	2518	228	475	0.74074%
305	C	2888	428	476	0.74074%
306	C	2888	428	476	0.74074%
307	C	2888	428	476	0.74074%
308	C	2888	428	476	0.74074%
309	C	2888	428	476	0.74074%
310	C	2888	428	476	0.74074%
311	C	2888	428	476	0.74074%
312	C	2888	428	476	0.74074%
313	C	2888	428	476	0.74074%
314	C	2888	428	476	0.74074%
315	C	2888	428	476	0.74074%
316	C	2888	428	476	0.74074%
317	D	2185	407	482	0.74074%
318	D	2185	407	482	0.74074%
319	D	2185	407	482	0.74074%
320	D	2185	407	482	0.74074%
401	C	2888	428	476	0.74074%
402	C	2888	428	476	0.74074%
403	B	2518	228	475	0.74074%
404	A	2555	144	445	0.74074%
405	B	2518	228	475	0.74074%
406	A	2555	144	445	0.74074%
407	D	2185	407	482	0.74074%
408	D	2185	407	482	0.74074%
409	D	2185	407	482	0.74074%
410	D	2185	407	482	0.74074%
411	D	2185	407	482	0.74074%
412	D	2185	407	482	0.74074%
413	D	2185	407	482	0.74074%
414	D	2185	407	482	0.74074%
501	B	2518	228	475	0.74074%
502	A	2555	144	445	0.74074%
503	B	2518	228	475	0.74074%
504	A	2555	144	445	0.74074%
505	D	2185	407	482	0.74074%
506	D	2185	407	482	0.74074%
507	D	2185	407	482	0.74074%
508	D	2185	407	482	0.74074%

**EXHIBIT "A"**

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Apartment Number	Apartment Type	Approx. Net Living Area in Square Feet	Approx. Lanai Area in Square Feet	Approx. Garage Area in Square Feet	Common Interest
509	D	2185	407	482	0.74074%
510	D	2185	407	482	0.74074%
511	D	2185	407	482	0.74074%
512	D	2185	407	482	0.74074%
601	B	2518	228	475	0.74074%
602	A	2555	144	445	0.74074%
603	A	2555	144	445	0.74074%
604	C	2888	428	476	0.74074%
605	C	2888	428	476	0.74074%
606	C	2888	428	476	0.74074%
607	C	2888	428	476	0.74074%
608	C	2888	428	476	0.74074%
609	C	2888	428	476	0.74074%
701	C	2888	428	476	0.74074%
702	C	2888	428	476	0.74074%
703	C	2888	428	476	0.74074%
704	C	2888	428	476	0.74074%
705	C	2888	428	476	0.74074%
706	C	2888	428	476	0.74074%
707	C	2888	428	476	0.74074%
708	C	2888	428	476	0.74074%
709	D	2185	407	482	0.74074%
710	D	2185	407	482	0.74074%
711	D	2185	407	482	0.74074%
712	D	2185	407	482	0.74074%
713	D	2185	407	482	0.74074%
714	D	2185	407	482	0.74074%
715	D	2185	407	482	0.74074%
716	D	2185	407	482	0.74074%
717	D	2185	407	482	0.74074%
718	D	2185	407	482	0.74074%
719	D	2185	407	482	0.74074%
720	D	2185	407	482	0.74074%
721	D	2185	407	482	0.74074%
722	D	2185	407	482	0.74074%
723	D	2185	407	482	0.74074%
724	D	2185	407	482	0.74074%
801	C	2888	428	476	0.74074%
802	C	2888	428	476	0.74074%
803	C	2888	428	476	0.74074%
804	C	2888	428	476	0.74074%

**EXHIBIT "A"**

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Apartment Number	Apartment Type	Approx. Net Living Area in Square Feet	Approx. Lanai Area in Square Feet	Approx. Garage Area in Square Feet	Common Interest
805	C	2888	428	476	0.74074%
806	C	2888	428	476	0.74074%
807	C	2888	428	476	0.74074%
808	C	2888	428	476	0.74074%
809	D	2185	407	482	0.74074%
810	D	2185	407	482	0.74074%
811	D	2185	407	482	0.74074%
812	D	2185	407	482	0.74074%
813	C	2888	428	476	0.74074%
814	C	2888	428	476	0.74074%
815	C	2888	428	476	0.74074%
816	C	2888	428	476	0.74074%
817	C	2888	428	476	0.74074%
818	C	2888	428	476	0.74074%
819	D	2185	407	482	0.74074%
820	D	2185	407	482	0.74074%
821	D	2185	407	482	0.74074%
822	D	2185	407	482	0.74074%
823	B	2518	228	475	0.74074%
824	A	2555	144	445	0.74074%
825	D	2185	407	482	0.74074%
826	C	2888	428	476	0.74084%

### **COMMON INTERESTS**

The common interest for each Apartment was determined by assigning an equal percentage interest to each apartment, except for Apartment 826 which has 0.0001% more than the other Apartments, so that the aggregate common interest appurtenant to all of the Apartments equals 100%.

### **PARKING**

Each Apartment includes a two-car garage. In addition, the Project contains ten (10) uncovered guest parking stalls (one of which is a handicap stall) in the vicinity of the recreation area, as shown on the Condominium Map.

### **EXHIBIT "A"**

#### **PAGE 5**

## **BOUNDARIES OF APARTMENTS**

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

Should the descriptions and divisions set forth in the Declaration conflict with the depictions and divisions shown on the Condominium Map, the Condominium Map shall control. The Condominium Map, however, is intended to show only the layout, location, Apartment numbers and dimensions of the Apartments and elevations of the buildings and is not intended and shall not be deemed to contain or make any other representation or warranty.

The approximate areas of the Apartments are set forth in Exhibit "A" of this Public Report and are based on measurements taken from the interior surface of all perimeter walls, except that no reduction is made to account for interior walls, ducts, vents, shafts, and the like located within the perimeter walls. The areas set forth in Exhibit "A" are not exact but are approximations based on the floor plans of each type of apartment. The measurements set forth in Exhibit "A" may not follow the designation of the limits of the apartments (the legally designated areas of the apartments) set forth above and the net living areas set forth in Exhibit "A" may be greater than the floor areas of the apartments as so designated and described above.

## **EXHIBIT "B"**

### **PAGE 1**

## **PERMITTED ALTERATIONS**

Subject to the provisions of the Declaration and Chapter 514A of the Hawaii Revised Statutes (the "Act"), and except as otherwise provided in the Bylaws, no Owner of an Apartment shall, without the prior written approval of the Board of Directors of the Association (the "Board"), make any structural alterations in or additions to his Apartment or make any alterations in (including painting, awnings, jalousies and screens) or additions to the exterior of his Apartment or to the common elements.

An Owner may make non-structural alterations and additions solely within his Apartment, or solely within a limited common element appurtenant to and for the exclusive use of his Apartment, at the Owner's sole cost and expense, provided that such alterations or additions do not affect any other Apartment or other common elements or change the exterior or appearance of the Project, and provided, further, that any building permit required for such alterations or additions is first duly obtained and filed with the Board and the proposed alteration or addition will not adversely affect the Project's insurance rating or premiums.

The Owner of a Type A or Type B Apartment may construct a pool in the limited common element patio area appurtenant to his Apartment (as shown on the Condominium Map), provided that the Owner complies with all of the requirements of preceding paragraph and each of the following additional requirements:

(i) Prior to the commencement of construction, the Owner shall obtain the Board's written approval of detailed plans and specifications for such construction; and

(ii) Prior to the commencement of construction, the Owner shall provide the Board with evidence, satisfactory to the Board in its sole judgment, of such Owner's financial ability to pay all costs and expenses of such construction, or evidence of a completion bond in an amount not less than 100% of the cost of completion of such construction; and

(iii) The Owner shall provide evidence satisfactory to the Board of a liability insurance policy that meets at least the minimum requirements for such policy set forth in paragraph 14.2.2 of the Declaration.

No amendment to the Declaration or the Condominium Map shall be required to reflect the construction of a pool in a limited common element patio area in accordance with subsection 8.3(c) of the Declaration, and all mortgagees and subsequent purchasers or owners of any Type A or Type B Apartment are put on notice that such Apartment's patio area, as shown on the Condominium Map, may have been altered in the manner permitted by that subsection.

No Apartment Owner shall, without the prior written approval of the Board, install any wiring for electrical or telephone installations, television antenna, machines or air-conditioning units, or other equipment, fixtures, appliances or appurtenances whatsoever on the exterior of the Building or protruding through the walls, windows or roofs thereof.

No Apartment Owner shall, without the prior written approval of the Board, make any structural modifications, changes, additions or alterations to his lanai or add any awnings, sunscreens, louvers, exhaust vents, wind baffles, or drain.

No Owner of a Type A or Type B Apartment shall, without the prior written approval of the Board, make any modifications, changes, additions or alterations to the limited common element entry walkway or walkway leading to the Apartment's garage.

No Owner of a Type C Apartment shall, without the prior written approval of the Board, make any modifications, changes, additions or alterations to the limited common element entry steps and landings adjacent to the Apartment.

No Owner of a Type D Apartment shall, without the prior written approval of the Board, make any modifications, changes, additions or alterations to the limited common element entry walkway or walkway leading to the Apartment's garage.

It is intended that the exterior of the Project present a uniform appearance. To effect that end, all interior window coverings (including curtains, drapes and screens of any kind) visible from outside of the Apartment shall include a backing of a type, color and appearance approved by the Board. In addition, Owners may not, without the prior written approval of the Board, apply any substance, material or process to the exterior or interior surfaces of the Apartment's windows which may alter the exterior color, appearance or reflectivity of the windows.

The Owner of any two or more adjacent Apartments separated by a common element wall may alter or remove all or portions of such wall if the structural integrity of the building in which the Apartments are located is not thereby affected and if the finish of the remaining common element(s) is restored to a condition substantially comparable to that of the common element prior to such alterations. Such alteration shall require only the written approval of the Board, including the Board's approval of the Owner's plans for such alteration, together with the approval of the holders of first mortgages on all Apartments affected by such alteration, and the approval of the appropriate agencies of the State of Hawaii and/or the County of Hawaii if such agencies so require. The Board's approval may be conditioned upon the Board having first received a certified written statement of a registered Hawaii architect or engineer that the proposed alterations shall not adversely affect the structural integrity of any part of the Project or jeopardize the soundness or safety of the Project in any way. Such alteration may be undertaken without an amendment to the Bylaws or to the Declaration or the filing of a complete set of floor plans of the Project as so altered. If, in the reasonable judgment of the Board, the alterations or additions are substantial in nature, the Board may require that the Owner of the Apartments affected provide evidence satisfactory to the Board of sufficient financing to complete such alterations or additions or, in lieu thereof, require that the Owner obtain a performance and lien payment bond, naming as obligees the Board, the Association and all Apartment Owners and their mortgagees of record, as their interests may appear, for a penal sum of not less than one hundred percent (100%) of the estimated cost of such construction. Prior to the termination of the common ownership of any such adjacent Apartments, the Owner of such Apartments shall be

## **EXHIBIT "C"**

### **PAGE 2**

obligated to restore the intervening wall between the Apartments to substantially the same condition in which the wall existed prior to its alteration or removal.

Notwithstanding anything to the contrary contained in the Bylaws, the Declaration or the Rules and Regulations, Owners with disabilities shall be permitted to make reasonable modifications to their Apartments and/or common elements, at their expense (including the cost of obtaining any bonds required by the Declaration, these Bylaws or the Act), if such modifications are necessary to enable them to use and enjoy their Apartments and/or the common elements, as the case may be, provided that any Owner with a disability desiring to make such modifications shall make such request, in writing, to the Board of Directors. That request shall set forth, with specificity and in detail, the nature of the request and the reason that the requesting party needs to make such modifications. The Board of Directors shall not unreasonably withhold or delay their consent to such request, and any such request shall be deemed to be granted if not denied in writing, within forty-five (45) days of the Board's receipt thereof, or within forty-five (45) days of the Board's receipt of additional information reasonably required in order to consider such request, whichever shall last occur.

Article VIII of the Bylaws contains additional information regarding alterations to the Apartments, the common elements and the limited common elements.

**EXHIBIT "C"**

**PAGE 3**

## **COMMON ELEMENTS**

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

- (a) The land of the Project (the “Land”), in fee simple;
- (b) The limited common elements described in the Declaration and in Exhibit “E” of this Public Report;
- (c) All foundations, columns, girders, beams, supports, perimeter walls, load-bearing walls, roofs, exterior stairs and stairways, pumps, ducts, pipes, wires, conduits, or other utility or service lines located outside of the Apartments and which are utilized for or serve more than one Apartment, and generally all equipment, apparatus, installations and personal property existing for common use in any of the buildings or located on the Land;
- (d) All pipes, wires, ducts, conduits or other utility or service lines running through an Apartment which are utilized by or serve more than one Apartment;
- (e) All recreational facilities and other amenities of the Project, including, but not limited to, a swimming pool and an “amenities area” situated around the swimming pool with three buildings containing restrooms, showers, a common room, a kitchenette and a spa;
- (f) All driveways and other common ways, all parking spaces and areas which are not a part of or included within an Apartment’s garage, all storage areas not located within an Apartment, all landscaping, courtyards, fences, gates, retaining walls, mailboxes, trash areas, maintenance structures and facilities and accessory equipment areas, including electrical and mechanical rooms or facilities located on the Land or within any of the buildings and serving more than one Apartment; and
- (g) All other improvements on the Land which are not part of any Apartment.

## **EXHIBIT “D”**

### **PAGE 1**

## **LIMITED COMMON ELEMENTS**

The limited common elements set aside and reserved for the exclusive use of the Apartments to which they are assigned are as follows:

(a) Each Apartment shall have appurtenant thereto as limited common elements all pipes, wires, ducts, conduits or other utility or service lines located within or running through the Apartment and utilized by or serving only that Apartment.

(b) Each Apartment shall have appurtenant thereto as a limited common element the air space (if any) between the Apartment's ceiling and roof.

(c) Each Apartment shall have appurtenant thereto as a limited common element the mailbox (wherever located) bearing the same number (or street address) as the Apartment, or such address as may be assigned to the Apartment by the United States Postal Service.

(d) Each Type A and Type B Apartment shall have appurtenant thereto as limited common elements:

(i) The two courtyards adjacent to the Apartment as shown on the Condominium Map;

(ii) The patio adjacent to the Apartment's covered lanai as shown on the Condominium Map, and any improvements (including a pool) which may be made to or upon or substituted for the patio, in accordance with the Bylaws; and

(iii) The entry walkway and the walkway leading to the Apartment's garage, as shown on the Condominium Map.

(e) Each Type C Apartment shall have appurtenant thereto, as limited common elements, the entry steps and landings adjacent to such Apartment as shown on the Condominium Map.

(f) Each Type D Apartment shall have appurtenant thereto, as a limited common element, the courtyard adjacent to such Apartment as shown on the Condominium Map.

(g) Any other common element of the Project which is rationally related to less than all of the Apartments shall be deemed a limited common element appurtenant to and for the exclusive use of the Apartment or Apartments to which such common element is rationally related.

## **EXHIBIT "E"**

### **PAGE 1**



## **ENCUMBRANCES AGAINST TITLE**

That certain Preliminary Report dated December 15, 2000, issued by Title Guaranty of Hawaii, Inc., discloses that the land of the Project is subject to the following encumbrances:

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT :     CERTIFICATE

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

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

INSTRUMENT :     FOURTH AMENDMENT TO THE MAUNA LANI RESORT  
                            ASSOCIATION DECLARATION OF COVENANTS AND  
                            RESTRICTIONS

DATED         :     January 8, 1987  
FILED         :     Land Court Document No. 1432988  
RECORDED     :     Liber 20284 Page 384

Said Fourth Amendment amends in its entirety that certain DECLARATION OF COVENANTS AND RESTRICTIONS (MAUNA LANI RESORT ASSOCIATION) dated June 3, 1982, filed as Land Court Document No. 1120889, recorded in Liber 16425 at Page 203, as amended by the First, Second and Third Amendments. In the event of any conflict between the terms and conditions contained in the Declaration, or the First, Second and Third Amendments, and this Fourth Amendment, the Fourth Amendment shall be controlling.

Said restated declaration was amended by instruments (i) dated October 28, 1987, filed as Land Court Document No. 1507024, recorded in Liber 21287 at Page 398, (ii) dated June 22, 1988, filed as Land Court Document No. 1560401, recorded in Liber 22084 at Page 131, (iii) dated June 25, 1991, filed as Land Court Document No. 1832379, recorded as Document No. 91-089395, (iv) acknowledged December 24, 1993, filed as Land Court Document No. 2109682, recorded as Document No. 94-009533, (v) dated November 7, 1995, filed as Land Court Document No. 2281205, recorded as Document

No. 95-168247, (vi) dated October 16, 1998, filed as Land Court Document No. 2537869, recorded as Document No. 98-155464, (vii) dated April 30, 1999, filed as Land Court Document No. 2541614, recorded as Document No. 99-070732, and (viii) dated August 23, 1999, filed as Land Court Document No. 2597831, recorded as Document No. 99-204463.

By DESIGNATION OF DECLARANT AND CO-DECLARANT OF THE MAUNA LANI RESORT ASSOCIATION DECLARATION OF COVENANTS AND RESTRICTIONS AND ACCEPTANCE dated March 10, 1998, filed as Land Court Document No. 2445165, MAUNA LANI SERVICE, INC., a Hawaii corporation, is designated as Declarant, and MAUNA LANI RESORT (OPERATION), INC., a Hawaii corporation, is designated as Co-Declarant. (Said instrument is not recorded at the Bureau of Conveyances.)

4. Claims arising out of customary and traditional rights and practices, including without limitation those exercised for subsistence, cultural, religious, access or gathering purposes, as provided for in the Hawaii Constitution or the Hawaii Revised Statutes.
5. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : LIMITED WARRANTY DEED

DATED : August 15, 2000  
RECORDED : Document No. 2000-112838

The foregoing includes, but is not limited to, matters relating to (a) water reservation and (b) designated easements and right to grant designated easements and (c) development plan.

6. The existence of Hawaii State Inventory Site No. 21877 (abrador grinding basins) as set forth by Letter No. 2078-041000 dated April 11, 2000, prepared by Paul H. Rosendahl, PhD., Inc.; and public rights of access, if any.
7. Encroachments or any other matters as shown on survey map prepared by Chrystal Thomas Yamasaki, Land Surveyor, with Wes Thomas Associates dated June 12, 2000.
8. Real Property taxes as may be due and owing. Refer to the County of Hawaii Director of Finances for further information.

### **SPECIAL NOTE RE: BLANKET LIEN**

As of the effective date of this Public Report, the Developer was negotiating with an institutional lender the terms of a construction loan that will be secured by a mortgage creating a “blanket lien” on the entire Project. Section III.E (on page 15) of this Public Report explains the effect this blanket lien will have on a buyer’s interest and deposit under a Sales Contract if the blanket lien is foreclosed prior to conveyance of the apartment to the buyer. If the blanket lien is not foreclosed prior to conveyance of the apartment, Hawaii law requires that the apartment be released from the blanket lien before a deed is recorded transferring title to a buyer.

## **DEVELOPER'S WITHDRAWAL RIGHTS**

Paragraph 23 of the Declaration provides as follows:

**23. Reservation to Withdraw Land and Apartments.**

23.1 Any other provision in this Declaration to the contrary notwithstanding, the Developer shall have the right (but shall not be obligated) in its sole discretion under this paragraph 23, without being required to obtain the consent or joinder of any person or group of persons, including the Association, any Apartment Owner or any mortgagee, lien holder, Apartment purchaser, or any other person who may have an interest in the Project or in any Apartment, to remove and delete from the Project and from the effect of this Declaration and the Act all or any unbuilt and unsold Apartments and related unbuilt or unimproved common elements and limited common elements; provided, however, that this right to withdraw shall not apply to the recreational amenities described in paragraph 4(e) above, nor to any roadways, walkways, parking areas, landscaped areas, easements or any other part of or interest in the Project actually utilized by or serving any Apartment owned by any party other than the Developer at the time of such withdrawal. For purposes of this paragraph 23, "unsold Apartment" shall mean an Apartment owned by the Developer and for which no sales contract for the purchase and sale of the Apartment has become binding upon both the seller and the buyer under the contract.

23.2 Upon such removal and deletion as set forth in this paragraph 23, and with no further action required, no Apartment Owner, mortgagee, lien holder, Apartment purchaser or any other person (other than the Developer and the holder of any blanket mortgage covering the unsold portion of the Project) who may have an interest in the Project or any Apartment shall have any legal or equitable interest in the portion of the Land and the Apartments so removed and deleted (it being the intent hereof that upon such removal and deletion, fee simple title to the Land and Apartments so removed and deleted will be vested solely in the Developer). If deemed necessary to effect the intent of this Paragraph 23, each Apartment Owner, mortgagee, lien holder and any other person who may have an interest in the Project or any Apartment shall, if requested by the Developer, unconditionally quitclaim and/or release its interest (if any) in that portion of the Land and common elements so removed and deleted to the Developer.

23.3 In the exercise of the rights reserved in this paragraph 23, the Developer may at any time (i) file and process to final approval an application with the County of Hawaii for the legal subdivision of that portion of the Project to be withdrawn, (ii) file or record supporting file plans, maps or other instruments in the Bureau, (iii) record one or more amendments to this Declaration in the Bureau containing an amended description of the Land and Apartments covered by this Declaration and deleting therefrom that portion of the Land and the Apartments removed and deleted from the Project, and amending the common interests appurtenant to the remaining Apartments so that the aggregate common interest appurtenant to all remaining Apartments equals 100%, (iv) file in the Bureau an amended Condominium Map reflecting the removal and deletion of the withdrawn Land and Apartments, and (v) if deemed appropriate, apply for and obtain from the Real Estate Commission of the State of Hawaii a

Supplementary Public Report describing the changes made in the Project pursuant to the terms of this paragraph 23. Any removal and deletion of land and Apartments made pursuant to this paragraph 23 shall be deemed effective for all purposes upon the recordation in the Bureau of the amendment(s) to this Declaration and Condominium Map referenced herein.

23.4 The Developer shall have the absolute right, notwithstanding the lease, sale or conveyance of any Apartment, and without being required to obtain the consent or joinder of any Apartment Owner, lien holder or other persons, to effect the removal and deletion of portions of the Project in accordance with this paragraph 23, and to execute, record and/or file the herein described application, amendments, quitclaims, releases and any and all other instruments necessary or appropriate for the purpose of effecting the removal and deletion of land and Apartments as contemplated hereby. Any such action shall be deemed taken by the Developer as the true and lawful attorney-in-fact of the respective Apartment Owners and lien holders. Each and every party acquiring an interest in any Apartment, the Project or the Land covered by this Declaration, by such acquisition, consents to such deletion and removal and to the recordation of such documents as may be necessary to effect the same; agrees to execute such documents and do such other things as may be necessary or convenient to effect the same; and appoints the Developer his or her attorney-in-fact with full power of substitution to execute such documents and do such other things on his or her behalf, which grant of such power, being coupled with an interest, is irrevocable and shall not be affected by the disability of any such party.

23.5 The rights of the Developer under this paragraph 23 shall extend to the Developer and its respective successors and assigns.

23.6 Notwithstanding any provision herein to the contrary, this paragraph 23 may not be amended without the written consent and joinder of the Developer.

**ESTIMATE OF INITIAL MAINTENANCE FEES  
AND  
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS  
FOR  
THE VILLAGES AT MAUNA LANI**

**Estimate of Initial Maintenance Fees:**

Apartment Type                      Monthly Fee      X 12 Months      = Yearly Total

A	\$565.00	\$6,780.00
B	\$565.00	\$6,780.00
C	\$565.00	\$6,780.00
D	\$565.00	\$6,780.00

Apartment owners shall not be obligated for the payment of their respective shares of the common expenses until such time as the Developer files with the Real Estate Commission an amended abstract providing that, commencing upon a date certain stated in the amended abstract, each apartment owner shall become obligated to pay his respective share of the common expenses.

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

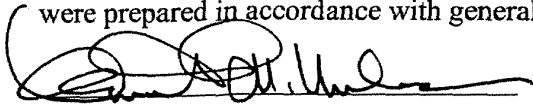
**Estimate of Maintenance Fee Disbursements: For maintenance and service of the Common Elements only.**

Monthly Fee                      X 12 Months                      = Yearly Total

<b>Utilities and Services</b>	
Cable	\$45                      \$540
Electricity	\$2,000                      \$24,000
Gas/Propane	\$2,000                      \$24,000
Refuse	\$2,500                      \$30,000
Sewer	\$383                      \$4,600
Telephone	\$200                      \$2,400
Water	\$5,000                      \$60,000
<b>Maintenance, Repairs and Supplies</b>	
Building	\$1,334                      \$16,005
Grounds (incl. Pool supplies)	\$25,994                      \$311,924

Payroll and Benefits		
Wages and Salaries	n/a	n/a
Insurance	n/a	n/a
Taxes	n/a	n/a
Health Care	n/a	n/a
Management		
Residential Concierge	\$4,083	\$49,000
Director's expense	\$21	\$250
Audit/Tax fees	\$167	\$2,000
Legal fees	\$417	\$5,000
Management fees	\$3,234	\$38,812
Mauna Lani Resort fees	\$11,030	\$132,354
Office Supplies	\$83	\$1,000
Taxes-income	\$19	\$226
Insurance		
Common Elements and Liability	\$10,417	\$125,000
Directors and Officers, Bond	\$267	\$3,200
Other: GET, Miscellaneous		
	\$282	\$3,386
Reserves (*)		
	\$6,800	\$81,600
TOTAL	\$76,275	\$915,297

I, Kenneth M. Melrose, as secretary of and employed by Maryl Group, Inc., the Development Manager for The Villages at Mauna Lani condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



Dated: January 3, 2001

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

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

### **EXPLANATION REGARDING RESERVES**

In arriving at the figure for “Reserves” in this Exhibit “H”, the Developer did not conduct a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. The Developer will conduct (or cause to be conducted) a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended, prior to issuance of a Final Public Report for the Project.



## **SUMMARY OF SALES CONTRACT AND ESCROW AGREEMENT**

The Sales Contract provides for the sale of a condominium apartment (the "Apartment") by the Developer to a Buyer. The Escrow Agreement provides how the funds paid by the Buyer under the Sales Contract to Escrow are to be held and released. Both the Sales Contract and Escrow Agreement contain many important provisions which are not set out here and should be carefully reviewed by every prospective Buyer.

The Sales Contract provides for the number, amount and timing of payments the Buyer is to make to Escrow. The Escrow Agreement provides that Escrow is to collect these payments and hold them in accounts with banks or savings institutions that are federally insured. The Sales Contract and Escrow Agreement provide who gets to keep interest that may be earned on the funds with Escrow. If the Sales Contract is signed before the Real Estate Commission has issued an effective date for a Final (or Supplementary) Public Report covering the Apartment and before certain other things have happened (as described in the Sales Contract), the Sales Contract shall not be binding on the Buyer or the Seller, and either of them may cancel it at any time before it becomes binding. After the Sales Contract becomes binding, it may be cancelled by the Developer, among other reasons, if the Buyer is obtaining financing and fails to obtain a lender commitment within a certain time period specified in the Sales Contract, or if the Buyer is a cash buyer and fails to furnish satisfactory evidence of ability to pay within other time periods. In certain cases, the Buyer may be responsible for cancellation fees.

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

If the Buyer defaults under the Sales Contract after an effective date is issued for a Final Public Report for the Project and the Final Public Report is "accepted" by the Buyer, the Buyer may lose all of the deposits with Escrow and the Developer, at its option, may pursue other legal remedies. If the Developer defaults under the Sales Contract, the Buyer shall be entitled to specific performance of the Sales Contract, or shall have the right to cancel and terminate the Sales Contract. Under the Sales Contract, the Developer promises to complete construction of the Apartment within two (2) years from the effective date of the Sales Contract, provided that the two (2) year period may be extended under certain circumstances specified in Section F.6 of the Sales Contract.

If the Buyer cancels and terminates the Sales Contract because of the Developer's default, the Developer shall repay to the Buyer all sums the Buyer has paid to the Developer or to Escrow under the Sales Contract, and the Buyer may pursue other legal or equitable remedies.

The Sales Contract confirms that the Buyer has had the opportunity to read and approve certain important legal documents for the Project, including the Declaration, Bylaws, and Rules and Regulations. The Sales Contract also provides that the rights of any construction lender with a mortgage against the Project will be superior to the rights of the Buyer under the Sales Contract.

The Sales Contract limits the Buyer's right to assign the Sales Contract and provides that the Seller may require a consent fee for any transfer. The Sales Contract provides for "pre-closing." "Pre-closing" means that Escrow may set a time for the Buyer to sign all of the documents Escrow asks the Buyer to sign, including the Apartment Deed and other closing documents, and the Buyer will pay the Buyer's share of the closing costs, as estimated by Escrow, even though the Buyer's Apartment may not be ready for occupancy. Buyer's share of closing costs include one-half of Escrow's fee, all recording fees, real property taxes and other prorations, Buyer's notary fees, up to four (4) months' maintenance start-up fees, title report and title insurance fees, conveyance tax, and fees charged by a lender if the Buyer is financing the purchase of his Apartment with a loan. Escrow then handles the closing, the transfer of title in accordance with the Escrow Agreement. The Apartment must be conveyed to the Buyer free and clear of any blanket liens, such as mortgages covering more than one apartment.

By signing the Sales Contract, the Buyer acknowledges that sales and construction activity at the Project by the Developer may continue after closing of the Buyer's purchase.

The Escrow Agreement provides certain protections to Escrow in the event of a dispute between the Buyer and the Developer. These protections include the right to file an "interpleader" and the right to recover certain fees and costs. In an interpleader action the escrow deposit is given to the court to decide what action to take. The Escrow Agreement sets out escrow fees, escrow cancellation fees and the fees for certain policies of title insurance.

**THIS SUMMARY IS NOT COMPLETE AND WILL NOT CONTROL IN THE EVENT OF ANY CONFLICT WITH A PROVISION IN THE SALES CONTRACT OR THE ESCROW AGREEMENT. PROSPECTIVE BUYERS ARE CAUTIONED AND ENCOURAGED TO READ CAREFULLY THE SALES CONTRACT AND ESCROW AGREEMENT.**