

# **READ THIS PROPERTY REPORT BEFORE SIGNING ANYTHING**

This Report is prepared and issued by the developer of this subdivision. It is not prepared or issued by the Federal Government.

Federal law requires that you receive this Report prior to your signing a contract or agreement to buy or lease a lot in this subdivision. However, **NO FEDERAL AGENCY HAS JUDGED THE MERITS OR VALUE, IF ANY, OF THIS PROPERTY.**

If you received this Report prior to signing a contract or agreement, you may cancel your contract or agreement by giving notice to the seller any time before midnight of the seventh day following the signing of the contract or agreement.

If you did not receive this Report before you signed a contract or agreement, you may cancel the contract or agreement any time within two years from the date of signing.

Name of Subdivision Wailea Beach Resort & Residences  
Name of Developer Wailea Hotel & Beach Resort, L.L.C.  
Date of This Report March 30, 2007

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**NOTE:**       **In this Property Report, the words “You” and “Your” refer to the buyer.  
The words “We”, “Us”, and “Our” refer to the developer.**

## **RISKS OF BUYING LAND**

The future value of any land is uncertain and dependent upon many factors. DO NOT expect all land to increase in value.

Any value which your Unit may have will be affected if the roads, utilities and all proposed improvements are not completed.

Resale of your Unit may be difficult or impossible, since you may face the competition of our own sales program and local real estate brokers may not be interested in listing your Unit.

Any development will have an impact on the surrounding environment. Whether or not the impact is adverse and the degree of impact, will depend on the location, size, planning, and extent of development. Developments which adversely affect the environment may cause governmental agencies to impose restrictions on the use of the land. Changes in plant and animal life, air and water quality and noise levels may affect your use and enjoyment of your Unit and your ability to sell it.

In the purchase of real estate, many technical requirements must be met to assure that you receive proper title. Since this purchase involves a major expenditure of money, it is recommended that you seek professional advice before you obligate yourself.

### **WARNINGS**

**THROUGHOUT THIS PROPERTY REPORT THERE ARE SPECIFIC WARNINGS CONCERNING THE DEVELOPER, THE PROJECT OR INDIVIDUAL UNITS. BE SURE TO READ ALL WARNINGS CAREFULLY BEFORE SIGNING ANY CONTRACT OR AGREEMENT.**

## GENERAL INFORMATION

This report covers 193 residential condominium units (“Residential Units”) in Wailea Beach Resort & Residences (“Project”), a proposed condominium project to be located in Maui County, Hawaii. The Project also includes five Commercial Units for a total of 198 Units. All of the units collectively are referred to in this report as “Units.” The Units will be located in 15 buildings, each between two to four stories high. No additional Units are presently planned for the subject condominium regime; however, we have reserved the right to add to, merge, or phase the Project. However, the number of Units included in the Project may increase or decrease pursuant to our reserved right to subdivide any Unit we own to create two or more Units or to consolidate Units. We have also reserved the right, but not the obligation, to alter Units and to effect other modifications of the Units and Common Elements.

The Developer of the Project is:

Wailea Hotel & Beach Resort, L.L.C.  
c/o Kobayashi Group, LLC  
1288 Ala Moana Boulevard  
Suite 201  
Honolulu, Hawaii 96814  
Telephone Number: (808) 524-1508

Answers to questions and information about this Project may be obtained by telephoning the Developer at the number listed above.

## **TITLE TO THE PROPERTY AND LAND USE**

A person with legal title to property generally has the right to own, use and enjoy the property. A contract to buy a Unit may give you possession but doesn't give you legal title. You won't have legal title until you receive a valid deed. A restriction or an encumbrance on your Unit, or on the Project, could adversely affect your title.

Here we will discuss the sales contract you will sign and the deed you will receive. We will also provide you with information about any land use restrictions and encumbrances, mortgages, or liens affecting your Unit and some important facts about payments, recording, and title insurance.

### **METHOD OF SALE**

#### **Sales Contract and Delivery of Deed**

We intend to use only the cash method of selling. You will be required to pay an earnest money deposit at the time you execute your purchase agreement and will be required to pay the balance of the purchase price in cash at the time title is transferred to you. We will not offer seller financing for the purchase of Residential Units. You will not have title to the Residential Unit until you receive a general warranty deed. A general warranty deed will be delivered at closing upon your payment in full of the balance of the purchase price of the Residential Unit. Closing will occur on the date selected by us in our sole discretion, after completion of construction of your Residential Unit.

At the time of closing, each purchaser of a Residential Unit will be required to pay one month's maintenance fee for the Association of Wailea Beach Resort & Residences ("Association"), and a non-refundable, non-transferable start-up fee to the Association in an amount equal to two months' maintenance fee assessments. Please refer to the heading "Property Owners Association" in this Report for further information regarding the assessments of the Association.

Pursuant to the purchase agreement, we may cancel the contract if we have not obtained binding sales contracts to sell at least 80% of the Residential Units in the Project, as determined by the aggregate total purchase price of all Units in the Project ("Presale Contingency"). The Presale Contingency is set by us in our sole and absolute discretion. If the Presale Contingency for the Project is not satisfied for any reason, we will have no obligation to construct any portion of the Project or to sell the Unit to you. If we elect to cancel the sales contract, you will be entitled to a full refund of all monies paid, with accrued interest.

#### **Type of Deed**

The transfer of legal title to your Residential Unit will be accomplished by delivery of a general warranty deed which is free and clear of any monetary liens and monetary encumbrances.

## ENCUMBRANCES, MORTGAGES, AND LIENS

The property on which the Project will be located is currently subject to the following blanket lien:

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TYPE OF LIEN	HOLDER OF LIEN	UNITS SUBJECT TO LIEN
Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing ("Mortgage")	Bank of America, N.A.	All Units

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### Release Provisions

The recorded Mortgage on the Project property identified above does not contain any provisions for the release of individual units from the Mortgage. Therefore, you may not be able to obtain clear title to your Residential Unit until we have paid the Mortgage in full. If we should default on the Mortgage prior to obtaining a release of your Residential Unit, you may not be able to complete the purchase of your Residential Unit. However, because all purchaser deposits will be held in a third-party controlled escrow account until a deed is delivered or until such funds can otherwise be disbursed in accordance with the purchase agreement, if we cannot convey a deed which is free and clear of the Mortgage, all deposit monies you have paid toward the purchase of your Unit will be refunded to you.

In addition, we plan to obtain construction financing for the Project which will replace the existing mortgage on the Project. The new mortgage will contain provisions pursuant to which your Residential Unit will be released from the mortgage prior to the conveyance of title to your Residential Unit. At the time of closing of each Residential Unit, provision will be made for the release from the mortgage of individual Residential Units in the Project, so that each Residential Unit in the Project can be conveyed free and clear of encumbrance.

Under the Condominium Property Act, we are required to cause all blanket liens to be released before we convey the Residential Unit to you, and to deliver title to your Residential Unit free and clear of all blanket mortgages and liens.

## **RECORDING THE CONTRACT AND DEED**

### **Method or Purpose of Recording**

Under Hawaii law, the recording of your deed will protect you from subsequent creditors of the developer and subsequent purchasers. After closing, the closing agent will record your deed for you; however, you will bear the cost of recordation, which is currently \$50.00 for documents up to 20 pages and \$1.00 for each page thereafter. Your purchase agreement may not be recorded because the purchase agreement will not be in recordable form, as we will not have the purchase agreement officially acknowledged, and as the purchase agreement must be subordinate to the construction loan.

UNLESS YOUR CONTRACT OR DEED IS RECORDED  
YOU MAY LOSE YOUR UNIT THROUGH THE CLAIMS  
OF SUBSEQUENT PURCHASERS OR SUBSEQUENT  
CREDITORS OF ANYONE HAVING AN INTEREST IN  
THE LAND.

### **Title Insurance**

At the time of transfer of title to your Residential Unit, we will arrange for you to be provided with a standard coverage owner's title insurance policy. You will be responsible for payment of the premium for title insurance. We recommend that you obtain from an appropriate professional an interpretation and explanation of the title insurance policy to your satisfaction.

## **PAYMENTS**

### **Escrow**

Your deposits will be held in escrow by Title Guaranty Escrow Services, Inc., 235 Queen Street, Honolulu, Hawaii 96813 until closing or until such funds can otherwise be disbursed in accordance with your purchase agreement. In the event we fail to convey title to you or default under any obligation which would result in your loss of your deposits prior to closing, you can obtain a refund of all of your payments from the escrow agent.

### **Prepayments**

All sales will be for cash, which means that you will make full payment of the balance of the purchase price of your Residential Unit at closing. Accordingly, there are no prepayment penalties or privileges with respect to the purchase of a Residential Unit.

## **Default**

If you default (such as by failing to make the payments required by your contract), we will provide you with written notice of such default (“Seller’s Default Notice”) and you will have 20 days from your receipt of Seller’s Default Notice to cure any default. If your default continues uncured for more than 20 days after your receipt of Seller’s Default Notice, then we will be entitled to any remedy available in law or in equity including specific performance or termination of the contract, in which case we will have the right to retain all deposit money as liquidated damages. Notwithstanding the above, if you default after 15% of the purchase price, exclusive of interest, has been paid, we will be entitled to retain all or a portion of the deposit not to exceed 15% of the purchase price (exclusive of interest) or the amount of our actual damages resulting from your default, whichever is greater, and we will refund the balance of the payments made to you. Thereafter, both parties will be relieved of further obligations under the contract.

## **RESTRICTIONS ON THE USE OF YOUR UNIT**

### **Restrictive Covenants**

All Units in the Project are subject to the Declaration of Condominium Property Regime of Wailea Beach Resort & Residences (“Original Declaration”) which has been filed in the Office of the Registrar of the Land Court of the State of Hawaii. The Original Declaration will be amended and restated in its entirety by the Amended and Restated Declaration of Condominium Property Regime of Wailea Beach Resort & Residences (“Declaration”) which will be filed in the Land Court prior to entering into binding contracts. All Units in the Condominium Project are also subject to the Wailea Community Association Amended and Restated Declaration of Covenants and Restrictions applicable to the land in Wailea (the “Master Declaration”), and amendments thereto, filed with the Land Court as Document No. 2479882.

The major provisions of the Declaration which require prior approvals relating to the use or disposition of the Unit will be discussed below. However, this discussion will only highlight certain areas of the Declaration and should not be a substitute for a careful study of the provisions by you. Capitalized terms used in this discussion shall have the meanings given in the Declaration.

The Declaration provides that except for the Front Desk Unit Owner and the Commercial Unit Owners, no Owner shall in any way, form or manner enclose, affix any improvement thereon, or extend any lanai attached to a Unit. In addition, no Unit Owner shall, without the prior written consent of the Front Desk Unit Owner, change or cause a change to the exterior of a Unit or Limited Common Element in any manner.

No Residential Unit Owner may make or allow any nonmaterial additions or alterations to his or her Residential Unit without the approval of the Board, upon consultation with the Front Desk Unit Owner. No Owner may make or allow any material addition or alteration to his or her Residential Unit without first obtaining the written consent of 75% of the Unit Owners, the

consent of all Unit Owners whose Units or appurtenant Limited Common Elements are directly affected, and the approval of the Board and the Front Desk Unit Owner.

To ensure that the Project operates pursuant to a First Class Standard, and to ensure a uniform appearance and consistent level of quality among the Residential Units, no Residential Unit Owner may make any addition, alteration or improvement to his or her Unit without the prior written consent of the Front Desk Unit Owner. Notwithstanding the foregoing, any Residential Unit Owner may make the alterations specified in Article XI.C. of the Declaration without the necessity of the consent or joinder of any other Unit Owner, but with notice to the Board and the Front Desk Unit.

Some hard surface floorings are provided with the initial purchase from the developer. The Declaration provides that hard and/or heavy surface floor coverings subsequently changed by purchaser or future owners, including without limitation, tile, marble, wood or the like, may not be installed in any part of a Unit without the consent of the Front Desk Unit Owner. In addition, the installation of any improvement or heavy object must be submitted to and approved by the Front Desk Unit Owner.

Except as provided to Developer and the Front Desk Unit Owner under the Declaration, no sign, poster, billboard, advertising device or other display of any kind shall be displayed without the pre-approval of the Front Desk Owner.

No Owner may install any antenna, satellite dish or other transmitting or receiving apparatus in or upon his or her Unit without the prior written consent of the Front Desk Unit Owner.

You should carefully review the Declaration. A complete copy of the proposed Declaration is available upon request.

### **Easements**

The Units in the Project are not subject to any easements that detrimentally affect the use of the Units. However, certain easements are granted or created by the Declaration or other instruments, including but not limited to, the following: easements in the Resort Amenities, easement for encroachments, easement for access to Units, Developer's easement to complete construction of the Project, Developer's easement for noise and dust in connection with construction, Developer's easement for sales activities, and Developer's easement for the subdivision and consolidation of Units, easement in favor of Unit Owners for access over Resort Amenities for ingress and egress purposes and a license to use Resort Amenities.

The Project is not subject to a flood control or flowage easement.

## **PLATS, ZONING, SURVEYING, PERMITS, AND ENVIRONMENT**

### **Plats**

Under Hawaii law, a condominium is created by filing a declaration of condominium and a condominium map in the real property records. The condominium map is not required to be approved by any local regulatory authority prior to filing. The Original Declaration and the condominium map of the Project (“Original Condominium Map”) have been filed in the Office of the Registrar of the Land Court of the State of Hawaii. However, we will amend and restate the Original Declaration and the Original Condominium Map in their entirety by the Amended and Restated Declaration of Condominium Property Regime of Wailea Beach Resort & Residences (“Declaration”) and the Condominium Map to be filed with the Declaration (“Condominium Map”), which will be filed prior to entering into binding sales contracts.

The description of the Units given in this Report is not legally adequate for deeding of the Units and it will not be until the Condominium Map and Declaration described above are filed.

### **Zoning**

Pursuant to the Declaration, the Residential Units may be occupied and used for long-term residential use, hotel or transient vacation rental purposes, or other uses permitted by law, the Declaration and the Bylaws. Commercial Units may be used for any commercial purpose permitted by law, the Declaration and the Bylaws. These uses conform to the zoning requirements applicable to the property.

### **Surveying**

The land underlying the Project has been surveyed. A survey of the Project is not required in connection with the recordation of a Condominium Map. Preliminary plans showing the approximate locations of the Units and the size and configuration of the proposed Units have been prepared. The dimensions shown on the preliminary plans are approximate and there may be variations and modifications in the dimensions. Final Unit plans, which will be confirmed as accurate by an architect, will be included in the Condominium Map to be filed at the Office of the Registrar of the Land Court of the State of Hawaii.

### **Permits**

We will be responsible for constructing each of the Units in the Project. No permits will be needed to use the completed Units for the purpose for which they are being sold. Your responsibility with respect to repair and maintenance of your Unit is specified in Article VI of the Declaration.

### **Environment**

A Final Environmental Assessment for the Project was prepared pursuant to Chapter 343 of the Hawaii Revised Statutes. On February 14, 2006, the Maui Planning Commission accepted

the Final Environmental Assessment and issued a Finding of No Significant Impact. The Final Environmental Assessment considered the impact of the redevelopment of the existing Renaissance Wailea Beach Resort area on the environment.

## ROADS

Here we discuss the roads that lead to the Project and the location of nearby communities.

### **ACCESS TO THE PROJECT**

Access to the Project will be provided by the roads listed below:

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STREET NAME	SURFACE	WIDTH OF WEARING SURFACE	LANES
Okolani Drive	asphalt	40 feet	2-4
Wailea Ike Drive	asphalt	54-64 feet	4
Wailea Alanui Drive	asphalt	54 feet	4

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The roads providing access to the Project are public roads maintained by the County of Maui. There is no cost to you for maintenance of these roads except through real property taxes you pay on your Unit to the County of Maui.

### **ACCESS WITHIN THE PROJECT**

Vehicular access within the Project will be provided from the access roads through driveways and ramps to a central parking structure, all of which will be limited common elements appurtenant to the Front Desk Unit. Unit Owners will have an easement over such areas pursuant to the Declaration. Not all Units will have physical access by automobile. Automobiles will be parked in a central parking structure that may or may not be adjacent to the individual Units. Units not adjacent to the central parking structure will have an easement for pedestrian access to his or her Unit over the Project.

We are responsible for constructing the driveways and ramps. You will bear none of the cost of construction of the driveways and ramps, except to the extent the costs are included in your purchase price. Construction of the driveways and ramps is estimated to commence in August 2007, is currently 0% complete, and is estimated to be completed within 32 months of commencement, estimated to be on or about March 2010. There are two driveway access locations along Wailea Alanui Drive. One driveway is one lane, 25 feet wide, and the other driveway has two lanes with a total width of 36 feet (18 feet wide each) and both driveways will be completed with a concrete surface. The estimated completion date may be extended.

NO FUNDS HAVE BEEN SET ASIDE IN AN ESCROW OR TRUST ACCOUNT, NOR HAVE ANY SIMILAR FINANCIAL ARRANGEMENTS BEEN MADE AT THIS TIME TO ASSURE COMPLETION OF THE DRIVEWAYS AND RAMPS PROVIDING ACCESS WITHIN THE PROJECT.

The cost of maintenance of the driveways and ramps will be borne by the owner of the Front Desk Unit, which will be reimbursed by the Unit Owners through the License Fee payable by the Association to the Front Desk Unit Owner, which will be included in the assessments of the Association. The driveways and ramps will be maintained by the Front Desk Unit Owner so as to provide access to the central parking structure on a year round basis.

The table below identifies the distance from the Project to nearby communities:

NEARBY COMMUNITIES	POPULATION	DISTANCE OVER PAVED ROADS	DISTANCE OVER UNPAVED ROADS	TOTAL
Wailuku (County Seat)	32,442	17 miles	0 miles	17 miles
Kihei	16,749	2 miles	0 miles	2 miles
Lahaina	9,118	27 miles	0 miles	27 miles

## UTILITIES

Here we will discuss the availability and cost of basic utilities. The areas covered will be water, sewage disposal, electricity, telephone, and fuel or other energy sources.

### **WATER**

Water will be supplied to the Units in the Project by means of a central water system.

#### **Central System**

The water supplier for the Project is the Department of Water Supply of the County of Maui ("Department of Water Supply"), 200 South High Street, Wailuku, Hawaii 96793, a quasi-municipal corporation regulated by the State of Hawaii Department of Health. The water distribution system within the Project will be connected to the central system of the Department of Water Supply.

The property is served by a 12-inch on-site waterline and fire hydrant connected to a 20-inch waterline along Wailea Alanui Drive. As part of the construction of the Project, we will extend water distribution lines from the connection to the Project and the Units at our expense. Construction of water distribution lines is presently 0% complete, is estimated to begin in February 2008 and to be completed in December 2009, at which time central water service will be available to the Units. The estimated completion date may be extended.

WATER DISTRIBUTION LINES TO SERVE THE PROJECT HAVE NOT BEEN COMPLETED; THEREFORE, NO UNITS IN THE PROJECT MAY UTILIZE THE CENTRAL WATER SYSTEM AT THIS TIME.

NO FUNDS HAVE BEEN SET ASIDE IN ANY ESCROW OR TRUST ACCOUNT, NOR HAVE ANY SIMILAR FINANCIAL ARRANGEMENTS BEEN MADE AT THIS TIME TO ASSURE COMPLETION OF THE WATER DISTRIBUTION SYSTEM WITHIN THE PROJECT.

The Department of Water Supply has stated that its central water system has sufficient capacity to serve the anticipated population of the Project. The water in the Department of Water Supply's water system is tested regularly for purity and chemical content and the results show that the water meets all standards for a public water supply.

No permits are required for the construction, operation or use of the central water system, other than the building permit required for construction of the Project.

THE BUILDING PERMIT FOR THE PROJECT WHICH IS THE ONLY APPROVAL REQUIRED TO BE OBTAINED BY US FOR CONSTRUCTION OF THE WATER DISTRIBUTION LINES HAS NOT BEEN OBTAINED. THEREFORE, THERE IS NO ASSURANCE AT THIS TIME THAT THE WATER DISTRIBUTION SYSTEM CAN BE CONSTRUCTED.

Once we have completed the construction of the water distribution lines within the Project, the cost for the maintenance of the water distribution lines shall be borne by the owner of the Front Desk Unit, which will be reimbursed by the Unit Owners through the License Fee payable by the Association to the Front Desk Unit Owner, which will be included in the assessments of the Association. Please refer to the heading "Property Owner's Association" for information on the amount of the initial assessment payable to the Association.

You will not be required to pay for the construction of the water distribution lines within the Project, except to the extent the construction cost is included in the purchase price of your Unit. You will not be individually required to pay any connection fees to obtain water service to your Unit. The cost of water service to the Unit will be included in the annual assessments of the Association.

You will not be permitted to use individual water systems and water will not be available to the Units until after the central water distribution system within the Project has been completed.

## **SEWER**

The method of sewage disposal to be used is a central sewer system.

### **Central System**

The supplier of central sewer service to the Project is the County of Maui Department of Public Works and Environmental Management ("County"), 200 South High Street, Wailuku, Hawaii 96793. The sewage collector lines within the Project will be connected to the central sewer system of the County.

Sewer lines from the County's sewer system are located under Wailea Alanui Drive adjacent to the Project. Existing gravity sewer line and manholes convey wastewater through the Project site. An interceptor line, consisting of 12-inch and 15-inch pipe, runs along the westerly side of the Project and receives wastewater from various branch lines. These branch lines, consisting of 4-inch and 8-inch pipe, collect wastewater from the Project and convey it to the interceptor line. The interceptor line also receives wastewater from the adjoining Maluhia at Wailea project site to the north. The interceptor line carries wastewater to the County's wastewater pump station located in an adjacent site, and is then pumped through a 10-inch force main to a 24-inch gravity sewer main along Wailea Alanui Drive. As part of the construction of the Project, we will extend sewage collector lines from the connection to the Project and the Units at our expense. Construction of sewage collector lines is presently 0% complete, is estimated to begin in February 2008, and to be completed in December 2009, at which time

central sewer service will be available to the Units. The estimated completion date may be extended.

THE SEWER SERVICE LINES WITHIN THE PROJECT HAVE NOT BEEN COMPLETED; THEREFORE, NO UNITS IN THE PROJECT MAY UTILIZE THE CENTRAL SEWER SYSTEM AT THIS TIME.

NO FUNDS HAVE BEEN SET ASIDE IN ANY ESCROW OR TRUST ACCOUNT, NOR HAVE ANY SIMILAR FINANCIAL ARRANGEMENTS BEEN MADE AT THIS TIME TO ASSURE COMPLETION OF THE SEWER SERVICE LINES WITHIN THE PROJECT.

The County has confirmed that the wastewater system serving the area in which the Project is located is currently adequate to serve the Project. The County indicated that the acceptance of wastewater is contingent upon there being adequate capacity of the system at the time building permits are issued.

No permits are required for the construction, operation or use of the central sewage collection system, other than the building permit required for construction of the Project.

THE BUILDING PERMIT FOR THE PROJECT WHICH IS THE ONLY APPROVAL REQUIRED TO BE OBTAINED BY US FOR CONSTRUCTION OF THE SEWAGE COLLECTOR LINES HAS NOT BEEN OBTAINED. THEREFORE, THERE IS NO ASSURANCE AT THIS TIME THAT THE SEWAGE COLLECTION SYSTEM CAN BE CONSTRUCTED.

Once we have completed the construction of the sewage collector lines within the Project, the cost for the maintenance of the sewage collector lines shall be borne by the owner of the Front Desk Unit, which will be reimbursed by the Unit Owners through the License Fee payable by the Association to the Front Desk Unit Owner, which will be included in the assessments of the Association. Please refer to the heading "Property Owner's Association" for information on the amount of the initial assessment payable to the Association.

You will not be required to pay for the construction of the sewer service lines within the Project, except to the extent the construction cost is included in the purchase price of your Unit. You will not be individually required to pay any connection fees to obtain central sewer service to your Unit. The cost of sewer service to the Unit will be included in the annual assessments of the Association.

You will not be permitted to use individual sewage disposal systems and sewer service will not be available to the Units until after the sewer service lines within the Project have been completed.

## **ELECTRICITY**

Electricity will be supplied to the Project by Maui Electric Company, Ltd., 210 W. Kamehameha Avenue, Kahului, Hawaii 96732, a public utility regulated by the Hawaii Public Utilities Commission.

An electrical service line of Maui Electric Company is located under Wailea Alanui Drive to the Project site. As part of the construction of the Project, we will construct new underground utilities that connect the existing facilities along Wailea Alanui Drive and will extend electrical service lines from such connection to the Project and the Units at our expense. Such construction is presently 0% complete and is estimated to begin in February 2008, and to be completed in December 2009. The estimated completion date may be extended.

NO FUNDS HAVE BEEN SET ASIDE IN AN ESCROW OR TRUST ACCOUNT, NOR HAVE ANY SIMILAR FINANCIAL ARRANGEMENTS BEEN MADE AT THIS TIME TO ASSURE CONSTRUCTION OF THESE FACILITIES.

Once we have completed the construction of the electrical service system within the Project, the cost for the maintenance of the electrical service system shall be borne by the owner of the Front Desk Unit, which will be reimbursed by the Unit Owners through the License Fee payable by the Association to the Front Desk Unit Owner, which will be included in the assessments of the Association. Please refer to the heading "Property Owner's Association" for information on the amount of the initial assessment payable to the Association.

You will not be required to pay for the construction of the electrical distribution system within the Project, except to the extent the construction cost is included in the purchase price of your Unit. Residential Units will be separated metered for electric service. Owners of Residential Units will be billed separately by the electric company for electric service and will pay the usual connection fees and use charges to the utility. The cost of electric service to the Common Elements will be included as a Common Expense in the budget of the Association.

## **TELEPHONE**

Telephone service will be supplied to the Project by Hawaiian Telecom, 275 Kaahumanu Avenue, Kahului, Hawaii 96732, a utility company regulated by the Hawaii Public Utilities Commission.

A telephone trunk line of Hawaiian Telecom is located under Wailea Alanui Drive. As part of the construction of the Project, we will construct new underground utilities that connect to existing facilities along Wailea Alanui Drive and will extend telephone service lines from such connection to the Project and the Units at our expense. Such construction is presently 0%

complete and is estimated to begin in February 2008, and to be completed in December 2009. The estimated completion date may be extended.

NO FUNDS HAVE BEEN SET ASIDE IN AN ESCROW OR TRUST ACCOUNT, NOR HAVE ANY SIMILAR FINANCIAL ARRANGEMENTS BEEN MADE AT THIS TIME TO ASSURE CONSTRUCTION OF THESE FACILITIES.

Once we have completed the construction of the telephone service lines within the Project, the cost for the maintenance of the telephone service lines shall be borne by the owner of the Front Desk Unit, which will be reimbursed by the Unit Owners through the License Fee payable by the Association to the Front Desk Unit Owner, which will be included in the assessments of the Association. Please refer to the heading "Property Owner's Association" for information on the amount of the initial assessment payable to the Association.

You will not be required to pay for the construction of the telephone service lines within the Project, except to the extent the construction cost is included in the purchase price of your Unit. Residential Units will be billed separately by the telephone company for telephone service and owners of Residential Units will be required to pay the usual connection fees and use charges to the utility.

#### **FUEL OR OTHER ENERGY SOURCE**

Electricity will be the primary energy source for heating, cooking, etc. in the Condominium.

## **FINANCIAL INFORMATION**

The discussion in this section will focus on our financial position.

Copies of our audited financial statements for the year ended December 31, 2005 and our interim unaudited financial statements for the period ended September 30, 2006 are available from us upon request.

## LOCAL SERVICES

In this section, we will identify the availability of fire and police protection and the location of schools, medical facilities, shopping facilities, mail service, and public transportation.

### **FIRE PROTECTION**

Fire protection is available year-round to the Project from the Wailea Fire Station, 300 Kilohana Street, Kihei, Hawaii 96753. This service is provided by a municipality.

### **POLICE PROTECTION**

Police protection is available to the Project from the Maui Police Department, 1881 South Kihei Road, Kihei, Hawaii 96753.

### **SCHOOLS**

The following are the nearest elementary, junior high, and senior high schools to the Project:

Kihei Elementary School  
250 East Lipoa Street  
Kihei, Hawaii 96753

Kamalii Elementary School  
180 Ke Alii Alanui  
Kihei, Hawaii 96753

Lokelani Intermediate School  
1401 Liloa Drive  
Kihei, Hawaii 96753

Maui High School  
660 Lono Avenue  
Kahului, Hawaii 96732

School bus transportation will be available near the Condominium Project to the public schools.

### **HOSPITALS**

The nearest hospital to the Project is Maui Memorial Medical Center, 221 Mahalani Street, Wailuku, Hawaii 96793.

Ambulance service is available to the hospital from American Medical Response.

## **PHYSICIANS AND DENTISTS**

The nearest physicians' and dentists' offices are located in Kihei, Hawaii.

## **SHOPPING FACILITIES**

A small sundry store with limited groceries will be available within the Project. The nearest shopping facilities outside the Project are located in Wailea, Hawaii and Kihei, Hawaii.

## **MAIL SERVICE**

Mail service is not currently available to the Project. Upon completion of the Project, mail will be delivered to the a central location within the Project.

## **PUBLIC TRANSPORTATION**

Public transportation will be available from The Shops at Wailea, which is less than one mile away from the Project, to nearby municipalities.

**RECREATIONAL FACILITIES**

FACILITY	PERCENTAGE OF CONSTRUCTION NOW	ESTIMATED DATE OF START OF CONSTRUCTION (month/year)	ESTIMATED DATE AVAIL- ABLE FOR USE (month/year)	FINAN- CIAL ASSUR- ANCE OF COM- PLETION	BUYER'S ANNUAL COST OR ASSESS- MENTS
Main Swimming Pool	0%	8/07	3/10	None	*
Fitness Center	0%	8/07	3/10	None	*
Game Room	0%	8/07	3/10	None	*

\*Your cost to use this facility is included in the assessments you pay to the Association, which include the license fee for usage, maintenance and upkeep of this facility charged by the Front Desk Unit Owner to the Association.

**Constructing the Facilities**

We will be responsible for the construction of the Main Swimming Pool, the Fitness Center and the Game Room as part of the Project. All costs incurred in this construction are to be paid by us.

**Maintaining the Facilities**

The Main Swimming Pool, the Fitness Center and the Game Room will a limited common elements appurtenant to the Front Desk Unit that will be owned and maintained by the Front Desk Unit Owner. Initially, we will be the Front Desk Owner.

**Transfer Of The Facilities**

The Main Swimming Pool, the Fitness Center and the Game Room will be limited common elements appurtenant to the Front Desk Unit. We may transfer the Front Desk Unit, including the Main Swimming Pool, the Fitness Center and the Game Room as limited common elements appurtenant to the Front Desk Unit, to an affiliate of ours or an unrelated third party. We also have the right to transfer the Front Desk Unit to the Association pursuant to the Declaration. Any such conveyance will be free and clear of all financial liens, except liens for real property taxes and assessments not then due and payable and such financial encumbrances

as may reasonably be accepted and assumed by the Association and specifically approved by resolution of the Board.

### **Permits**

The only permit required for the construction of the Main Swimming Pool, the Fitness Center and the Game Room is the building permit for the Project. As the building permit has not yet been obtained, there is no assurance at this time that the Unit Owners will be able to use the Main Swimming Pool, the Fitness Center and the Game Room.

### **Who May Use The Facilities**

Unit Owners and their guests will have the right to use the Main Swimming Pool, the Fitness Center and the Game Room pursuant to a license from the Front Desk Unit Owner to the Association granted in the Declaration. The Association of Apartment Owners of Maluhia at Wailea ("Maluhia Association"), an adjacent condominium project consisting of 14 units, will also have access to the Main Swimming Pool for a term of 15 years from the opening of the Project, pursuant to a settlement agreement entered into with the Maluhia Association. The use by the Maluhia Association of the Main Swimming Pool may limit the use of these facilities by Unit owners.

## **DEVELOPMENT CHARACTERISTICS AND CLIMATE**

In this section we will discuss the basic terrain of the Project property, its climate, and any nuisances or hazards in the area.

### **GENERAL TOPOGRAPHY**

The land on which the Project will be constructed has stepped/slope grade changes. The land is currently occupied by an existing building. The Project area is adjacent to the Pacific Ocean. Approximately 7% of the Project area will be natural open space and 13% of the Project area will be developed open space. These areas will be maintained by the Front Desk Unit Owner.

The land on which the Project will be constructed is not subject to any steep slopes. The land is subject to rock outcroppings and subsurface rock conditions which will be taken into consideration in our construction of the Project.

### **WATER COVERAGE**

A portion of the land on which the Project will be located is covered by water. This, however, will not affect the purpose for which the Units are sold as all Units are located at least 150 feet from the shoreline.

### **DRAINAGE AND FILL**

The land on which the Project will be constructed will not require drainage or fill prior to use.

### **FLOOD PLAIN**

The land on which the Project will be constructed is not located in a flood plain or in an area designated by any federal, state or local agency as being flood prone.

### **FLOODING AND SOIL EROSION**

We have a program to mitigate the short term impacts of the Project with respect to dust and soil erosion and sedimentation from wind and water as required by the Special Management Area Use Permit, Shoreline Setback Variance Approval and Step 1 and Step 2 Planned Development Approvals for the Project. We will have erosion control measures such as silt basins, erosion control fabric and seeding during construction. The design includes underground detention/retention basins to collect on-site runoff and two filtration units to filter debris and petroleum residue. The plan to control soil erosion and sedimentation is estimated to start in August 2007 and is estimated to be completed in March 2010. No financial assurance of completion has been posted at this time to assure completion of the soil erosion and sedimentation control plan.

## **NUISANCES**

The land comprising the Project is not subject to any onsite or offsite unpleasant odors, noises, pollutants, or other nuisances, except the following:

Living in multi-story condominium buildings entails living in very close proximity to other persons and business, and hotels, with attendant limitations on solitude and privacy. Owners will hear noise from adjacent Units within the Project, including, but not limited to, noise from showers, bathtubs, sinks, toilets, or vacuum cleaners, stereos or televisions, or from people running, walking, exercising or socializing. In addition, Owners can expect to hear substantial levels of sound, music, noise, odors, vibrations and other nuisances from retail, commercial, restaurant and hotel development in the vicinity of the Project. Owners may also experience light entering the Residential Units from commercial lighting in the vicinity of the Project and from street lights located in close proximity to the window and doors for the Units.

We are unaware of any proposed or existing land use which may adversely affect the Project.

## **HAZARDS**

There are no unusual safety factors affecting the Project and we are not aware of any proposed plans, private or governmental, for the construction of any facility which may create a nuisance or safety hazard or adversely affect the use of the Project.

No portion of the Project property has been formally identified by any Federal, state, or local agency as being subject to the frequent occurrence of natural hazards. However, the Project is in an area where hurricanes, earthquakes and tsunamis could occur. Hurricanes have occurred approximately every 10 or more years. Tsunamis have not occurred, but are possible. The local jurisdiction in which the Project is located does not have a rating system for fire hazard applicable to the Project.

## **CLIMATE**

The average temperatures for summer and winter are contained in the table below.

	<u>HIGH</u>	<u>LOW</u>	<u>MEAN</u>
Summer	91 degrees	73 degrees	80 degrees
Winter	81 degrees	65 degrees	73 degrees

The average annual rainfall is approximately 10 to 20 inches and the average annual snowfall is 0 inches.

## **OCCUPANCY**

No Unit in the Project is occupied, as the Project has not been constructed. Completion of the Project is scheduled for March 2010, after which time occupancy is anticipated.

## **ADDITIONAL INFORMATION**

In this section we will discuss the following areas:

- The Property Owners' Associations
- The Annual Real Estate Taxes
- Resale or Exchange Program
- Equal Opportunity in Unit Sales
- Listing of Units

### **PROPERTY OWNER'S ASSOCIATION**

We have filed the Bylaws of the Association of Apartment Owners of Wailea Beach Resort & Residences ("Original Bylaws") thereby establishing the Association of Apartment Owners of Wailea Beach Resort & Residences as a condominium association in accordance with the Condominium Property Act. The Original Bylaws will be amended and superseded by the Amended and Restated Bylaws of the Association of Wailea Beach Resort & Residences ("Bylaws"), which will be filed at the Office of the Registrar of the Land Court of the State of Hawaii. Upon filing of the Bylaws, the name of the condominium association for the Project will be the Association of Wailea Beach Resort & Residences ("Association"). Membership in the Association is not voluntary. Each owner of a Unit will become a member of the Association automatically upon and simultaneously with delivery of a deed of conveyance to a Unit, by virtue of the provisions of the Declaration and the Bylaws. The Association is not yet operating.

Initially, we will have the right to exercise control over the Association through our right to appoint and remove officers and members of the Board ("Developer Control Period"). The Developer Control Period will terminate no later than the earlier of the following: (a) 60 days after the conveyance of 75% of the Common Interest appurtenant to Units that may be created to Unit Owners other than Developer or an affiliate of Developer; (b) two years after Developer has ceased to offer Units for sale in the ordinary course of business; (c) two years after any right to add Units was last exercised; or (d) the day Developer, after giving written notice to Unit Owners, records an instrument voluntarily surrendering all rights to control the activities of the Association.

Each Owner will be subject to assessments assessed against the Unit from time to time by the Board, acting on behalf of the Association. All Owners will pay to the Association or the Managing Agent all monthly and special assessments of the Common Expenses against their respective Units. The assessments will be assessed against the Units in proportion to their respective Common Interests (which means the undivided percentage interest in all Common Elements of the Project which is appurtenant to a Unit); provided that the cost of the Standard Hospitality Services shall be assessed only to Residential Unit Owners in proportion to their respective Common Interest to the Common Interest of all Residential Units. The estimated amount of the initial monthly assessment payable to the Association is anticipated to range from \$1,636.80 per month to \$5,526.68 per month (yearly totals ranging from \$19,641.60 to \$66,320.16) per Residential Unit, based on a preliminary budget for the Project. The actual budget, and resulting assessment, may vary significantly from the estimated budget.

The assessments may be increased by the Board from time to time, pursuant to the Declaration.

The Board may levy special assessments for Common Expenses and costs, expenses and fees recoverable by the Association under the Hawaii Condominium Property Act and the Bylaws, and special assessments may be made, without limitation, to cover shortfalls in the budget or to cover an expense directly attributable to a particular Owner or the activities of such Owner or his guests or visitors.

At the time of closing, each purchaser of a Residential Unit will be required to pay one month's maintenance fee for the Association, and a non-refundable, non-transferable start-up fee to the Association in an amount equal to two months' maintenance fee assessments.

Each monthly assessment, special assessment and each obligation of an Owner which is enforceable as a special assessment are the personal obligations and debts of the Owner against whom the same are assessed. All sums chargeable to a Unit for Common Expenses which have been assessed but which are unpaid shall constitute a lien against the Unit and may be foreclosed by action by the Managing Agent or Board, in the same manner as a mortgage of real property. The Board may bring a suit to enforce the Owner's obligation to pay a delinquent assessment and/or foreclose the lien securing the assessment, to the extent permitted by Hawaii law.

The functions and responsibilities of the Association are to manage, maintain, acquire, construct and care for the Association property, which include the Common Elements, any real property which is not part of the Common Elements but which the Association either owns or leases for a term of more than one year, any personal property owned or leased by the Association and any fixtures owned or leased by the Association. The Limited Common Elements, however, will be managed and maintained by the Owner of the Unit to which such Limited Common Element is appurtenant, unless otherwise provided in the Declaration or Bylaws. The Association is responsible for the administration, fiscal management and operation of the Project, and the maintenance, repair, replacement and restoration of the Common Elements, and any additions and alterations thereto, in accordance with the provisions of the Hawaii Condominium Property Act, the Declaration and the Bylaws. The Association will perform its functions and responsibilities through its Board of Directors. The Board exercises architectural control over certain additions or alterations to the Unit, as specified in the Declaration. The Front Desk Unit Owner also has design control over any addition, alteration or improvement to Residential Units.

There are no functions or services that we now provide for which the Association may be required to assume responsibility in the future except the following: Pursuant to Hawaii law, we may initially assume the actual Common Expenses of the Project from the date upon which the certificates of occupancy are issued for the Project. Unit Owners will not be obligated for the payment of their share of the Common Expenses until such time as we send to the Owners written notice that, after a specified date, the Unit Owners will be obligated to pay for the portion of the Common Expenses that are allocated to their respective Units. After assessments commence, the level of assessments described above that will be levied based on the budget is expected to meet the estimated Common Expenses, including maintenance and replacement

costs, of the Association. However, if the assessments are insufficient to meet the Association's expenses including requisite reserves, the Board may increase the assessments or levy special assessments as it shall deem to be necessary.

Each Unit Owner is also a member of the Wailea Community Association which has been incorporated ("Master Association"), by virtue of their ownership of a Unit and has assessment responsibilities to the Master Association pursuant to the provisions of the Amended and Restated Declaration of Covenants and Restrictions (the "Master Declaration") applicable to the land in Wailea, including the Condominium. Membership in the Master Association is mandatory.

The functions and responsibilities of the Master Association include, but are not limited to, administering and managing the Master Association, performing and providing for various services necessary or desirable for the benefit of the owners and occupants of the property subject to the Master Declaration, providing for architectural control, levying and collecting assessments, and for the maintenance, repair, operation and landscaping of the Common Property within Wailea as defined in the Master Declaration.

You will be billed separately by the Master Association for your Unit's share of the Master Association's general assessments, based on the number of bedrooms in your Unit. The current Master Association annual assessments for condominium Units are \$282.20 for a one-bedroom Unit, \$340.00 for a two-bedroom Unit and \$396.10 for a Unit with three or more bedrooms. In the event the general assessments of the Master Association prove inadequate for the operations, activities or obligations of the Master Association, the Board of the Master Association may levy a supplemental assessment. In addition to general and supplemental assessments, the Board may levy a special assessment against any Owner for monies expended by the Master Association in performing functions which were caused by such Owner's act or failure or refusal to act or otherwise comply with the Master Declaration.

We do not exercise any control over the Master Association and do not provide any services at no charge to the Master Association for which the Master Association may be required to assume responsibility in the future. The Master Association exercises architectural control over Improvements (as defined in the Master Declaration) constructed upon the property annexed to Wailea.

## **TAXES**

Your obligation to pay property taxes for your Unit begins upon transfer of title to your Unit. Your property taxes are payable in semi-annual installments to the Director of Finance of the County of Maui, Real Property Tax Division.

As of the date of this Report, it is not possible to determine the exact amount of real property taxes that will be assessed against your Unit. Under the Maui County Code, condominium units shall be classified for tax purposes as either Apartment, Commercial, Hotel/Resort or Homeowner based on its actual use. The current Maui County property tax rates per \$1,000 of the assessed value of the land and building are as follows:

Apartment: \$5.00 per \$1,000 of assessed value  
Commercial: \$6.00 per \$1,000 of assessed value  
Hotel/Resort: \$8.20 per \$1,000 of assessed value  
Homeowner: \$2.50 per \$1,000 of assessed value

The real property rates are subject to adjustment each tax fiscal year. You should contact the Real Property Tax Division for the real property tax rates that are in effect after transfer of title to your Unit to you.

The Project is not located in an area that would require the payment of special improvement district assessments.

### **RESALE OR EXCHANGE PROGRAM**

There are restrictions in the Declaration which might hinder you in the resale of your Residential Unit: Article VI, Section A provides that except for Residential Units owned by us, no "open houses" or similar activity promoting the sale of a Residential Unit is permitted at the Project. Article VI, Section M provides that, except as provided to the Developer and the Front Desk Unit Owner under the Declaration, no sign, poster, billboard, advertising device or other display of any kind may be displayed without the pre-approval of the Front Desk Unit Owner.

We have no program to assist you in the sale of your Residential Unit. We do not have any provision to allow you to exchange one Residential Unit for another.

### **EQUAL OPPORTUNITY IN UNIT SALES**

We are in compliance with Title VIII of the Civil Rights Act of 1986 by not directly or indirectly discriminating on the basis of race, religion, sex, handicap, familial status or national origin in our marketing and advertising, our Unit services, or in the terms and conditions of our sales.

### **LISTING OF UNITS**

The Units included in this offering consist of the 193 Residential Units as more particularly described below and in the Amended and Restated Declaration of Condominium Property Regime of Wailea Beach Resort & Residences to be filed in the Office of the Registrar of the Land Court of the State of Hawaii, which amends and restates the Declaration of Condominium Property Regime of Wailea Beach Resort & Residences filed at the Office of the Registrar of the Land Court of the State of Hawaii as Document No. 3446757:

Residential Units:

Unit A200, A201, A202, A203, A300, A301, A302, A303, A400, A401, A402,  
A403

Unit B100, B103, B200, B201, B202, B203, B300, B301, B302, B303, B400, B401, B402, B403

Unit C100, C101, C102, C103, C108, C109, C110, C111, C112, C113, C200, C201, C202, C203, C204, C205, C206, C207, C208, C209, C210, C211, C212, C213, C300, C301, C302, C303, C304, C305, C306, C307, C308, C309, C310, C311, C312, C313, C401, C403, C404, C405, C406, C407, C408, C409, C410, C412, C506, C507

Unit D100, D101, D200, D201

Unit E100, E101, E102, E103, E200, E201, E202, E203

Unit F200, F201, F202, F300, F301, F302, F400, F401, F402

Unit G100, G101, G102, G103, G200, G201, G202, G203

Unit H100, H101, H200, H201

Unit J201, J202, J203, J300, J301, J302, J303, J400, J401, J402, J403

Unit K100, K101, K102, K103, K104, K105, K106, K108, K109, K110, K200, K201, K202, K203, K204, K205, K206, K207, K208, K209, K210, K300, K301, K302, K303, K304, K305, K306, K307, K308, K309, K310, K401, K403, K407

Unit L200, L201, L300, L301, L400, L401

Unit M200, M201, M202, M203, M300, M301, M302, M303, M400, M401, M402, M403

Unit N200, N201, N202, N203, N300, N301, N302, N303, N400, N401, N402, N403

Unit Q100, Q101, Q200, Q201, Q300, Q301, Q400, Q401

Number of Residential Units: 193

**COST SHEET, SIGNATURE OF SENIOR EXECUTIVE OFFICER**  
**COST SHEET**

In addition to the purchase price of your Unit, there are other expenditures which must be made. Listed below are the major costs. There may be other fees for use of the recreational facilities. All costs are subject to change.

Sales Price of Residential Unit:

Cash Price of Unit	\$ _____
Finance Charge	\$ <u>None (no seller financing)</u>
 Total	 \$ _____

Estimated One-Time Charges:

1.	Construction costs to extend electric and/or telephone services to Unit	\$ <u>None</u>
2.	Water Connection Fee	\$ <u>None</u>
3.	Sewer Connection Fee	\$ <u>None</u>
4.	Other (Identify):	
	Start-Up Fee to Association	\$ _____ (2 months of assessments)
	Maintenance Fee Payable at Closing	\$ _____ (1 month of assessments)
	Wailea Community Association Administrative Fee	\$ <u>300</u>
	 Total	 \$ _____

Total of estimated sales price and one-time charges \$ \_\_\_\_\_

Estimated annual charges, exclusive of utility use fees:

1.	Taxes - Residential Unit after sale to purchaser	\$ _____
2.	Association Assessments	\$ _____ (between \$1,636.80 per month - \$5,526.68 per month depending on Common Interest allocated to Unit)
3.	Master Association Assessments	\$ <u>282.20 - \$396.10</u>

The information contained in this Property Report is an accurate description of our Project and development plans.

WAILEA HOTEL & BEACH RESORT, L.L.C.  
a Delaware limited liability company

By:   
Title: Managing Director, Treasurer

**RECEIPT, AGENT CERTIFICATION, AND CANCELLATION PAGE**

**PURCHASER RECEIPT**

**IMPORTANT: READ CAREFULLY**

Name of Subdivision: Wailea Beach Resort & Residences

ILS Number: 31938

Date of Report: March 30, 2007

We must give you a copy of this Property Report and give you an opportunity to read it before you sign any contract or agreement. By signing this receipt, you acknowledge that you have received a copy of our Property Report.

Received by \_\_\_\_\_ Date \_\_\_\_\_  
Received by \_\_\_\_\_ Date \_\_\_\_\_  
Street Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

If any representations are made to you which are contrary to those in this Report, please notify the:

Interstate Land Sales Registration Division  
HUD Building  
451 Seventh St. S.W.  
Washington, DC 20410

**AGENT CERTIFICATION**

I certify that I have made no representations to the person(s) receiving this Property Report which are contrary to the information contained in this Property Report.

Unit Number \_\_\_\_\_  
Name of Agent \_\_\_\_\_  
Signature \_\_\_\_\_ Date \_\_\_\_\_

**PURCHASER CANCELLATION**

If you are entitled to cancel your purchase contract, and wish to do so, you may cancel by personal notice, or in writing. If you cancel in person or by telephone, it is recommended that you immediately confirm the cancellation by certified mail. You may use the form below.

.....  
Name of Subdivision: Wailea Beach Resort & Residences  
Date of Contract: \_\_\_\_\_  
This will confirm that I/we wish to cancel our purchase contract.  
Purchaser(s) signature \_\_\_\_\_ Date \_\_\_\_\_  
Purchaser(s) signature \_\_\_\_\_ Date \_\_\_\_\_

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