

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

CONDOMINIUM PROJECT NAME	WAILEA BEACH RESORT & RESIDENCES
Project Address	3550 Wailea Alanui Drive Wailea, Hawaii 96753
Registration Number	7282 (Partial conversion)
Effective Date of Report	November 13, 2012
Developer(s)	Wailea Resort Villas, L.L.C.

Preparation of this Report

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

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

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

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

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

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

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

SPECIAL ATTENTION

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

1. Developer is Not Project Developer. Wailea Hotel & Beach Resort, L.L.C., a Delaware limited liability company ("**Project Developer**") is the developer of the Wailea Beach Resort & Residences condominium project (the "**Project**") and the Declarant under that certain Declaration of Condominium Property Regime of Wailea Beach Resort & Residences dated February 29, 2012 and recorded at the Office of the Assistant Registrar of the Land Court (the "**Office**") as Document No. T-8096180 (the "**Declaration**"). By way of that certain Limited Warranty Deed, Assignment of Reserved Rights, Grant of Easements, Encumbrances and Reservation of Rights with Power of Attorney for Wailea Beach Resort & Residences dated April 18, 2012 and recorded at the Office as Document No. T-8143082, Wailea Resort Villas, L.L.C., a Delaware limited liability company ("**Developer**") acquired from Project Developer the right to develop and sell the following units:

Units: A, D1, D2, E1, E2, E3, E4, E5, F1, F2, F3, F4 and F5

This Public Report covers Units D1 and D2, E1 through E5, inclusive, and F1 through F5, inclusive (collectively, the "**Resort Units**") to be developed and sold by Developer. Unit A is a Spatial Unit and is not covered by this Public Report. Developer has no right to develop and or sell the remaining units in the Project, which continue to be owned by Project Developer. **Accordingly, Developer cannot represent or warrant that any other units or any amenity of the Project will be constructed.** In connection with the development and sale of the Resort Units, Developer was assigned certain reserved rights of Project Developer, as more particularly described in Exhibit H of this Public Report.

Project Developer owns and intends to develop the remaining units in the Project, including the Commercial Units, the Front Desk Unit, the Hotel Unit and Units B1 through B4, inclusive, and C1 through C3, inclusive. As Declarant under the Declaration, Project Developer has reserved certain rights regarding the future development of the Project, as more particularly described in Exhibit H of this Public Report.

2. Project Structure; Resort Manager. To ensure the continuing maintenance and operation of the Project pursuant to the Project Quality Standard, as such standard is defined in the Declaration, and to ensure compliance with the Resort Management Agreement (as defined in Paragraph 6, below), the owner of the Front Desk Unit (which is currently Project Developer) shall be responsible for the maintenance and operation of portions of the Project referred to as the "Shared Facilities," as such term is defined in the Declaration, which shall be limited common elements appurtenant to the Front Desk Unit. The Shared Facilities include areas typically classified as common elements in a condominium project, including, but not limited to, the grounds, landscaping, hallways, walkways, lobbies and building structures. The Front Desk Unit owner may promulgate rules and regulations for the use of the Shared Facilities ("**Resort Rules**"). The Front Desk Unit Owner shall be reimbursed for the cost of maintaining these areas through a license fee payable by the Association (the "**Shared Facilities Fee**"). The Front Desk Unit Owner may delegate its duties hereunder to a resort manager (the "**Resort Manager**"). As discussed in Paragraph 6, below, Project Developer has retained Hyatt Corporation ("**Hyatt**") to act as the Resort Manager.

The Front Desk Unit Owner shall have the right, in its sole discretion, to (a) select a Resort Manager to manage and/or operate the Front Desk Unit; (b) to change such Resort Manager from time to time; and (c) to change the name of the Project at any time, as may be required by the Resort License Agreement or otherwise.

3. Use of Recreational Facilities. The recreational facilities which may be constructed within the Project, including, without limitation, the swimming pool, are part of the Shared Facilities which are limited common elements appurtenant to the Front Desk Unit as discussed in paragraph 2, above. Unit owners will have the ability to utilize the recreational facilities and other portions of the Shared Facilities pursuant to a license between the Front Desk Unit Owner and the Association, and the Front Desk Unit Owner shall be reimbursed for the maintenance and operation of such areas through the Shared Facilities Fee. Each unit owner shall be responsible for a payment of a portion of the Shared Facilities Fee payable by the Association, which shall be assessed to unit owners through their maintenance fee. The Front Desk Unit Owner has the right, pursuant to the Declaration, to create membership programs to permit third-party access to the Shared Facilities.

Additionally, there may be a number of commercial operations within the Project including restaurants, retail, a spa and a fitness center. Unit owners may pay for the restaurant, spa and fitness center services on a per use or other basis as may be determined by the Owner of the Commercial Unit.

4. Transient Use. The Resort Units may be used for hotel or transient vacation rental purposes or transient lodging for periods of less than thirty (30) days, or residential use or other uses permitted by law, the Declaration and the Bylaws, that are consistent with the Project Quality Standard; provided that: (a) subject to the terms of the Declaration, a Resort Unit Owner shall be permitted to personally occupy his or her unit and may also make his or her unit available for use by third parties when not occupied by such owner; (b) other than as may be provided in the Declaration, no commercial business activity or home occupation shall be conducted from the Resort Unit; (c) notwithstanding anything contained in the Declaration or in law to the contrary, without the prior written consent of the Front Desk Unit Owner, the Resort Units or any interest therein, shall not be the subject of or sold, transferred, conveyed, leased, occupied, rented, or used at any time under a time share plan (as defined in Hawaii Revised Statutes, Chapter 514E, as amended) or similar arrangement or program whether covered by Chapter 514E or not, including, but not limited to, any so-called "fractional ownership," "vacation license," "travel club membership," "club membership," "membership club," "destination club," "time-interval ownership," "interval exchange" (whether the exchange is based on direct exchange or occupancy rights, cash payments, reward programs or other point or accrual systems) or "interval ownership" as offered and established through a third-party vacation membership service provider who is in the business of providing and managing such programs; and (d) without the prior written consent of the Front Desk Unit Owner, no Resort Unit shall be used as part of any occupancy plan or for similar purposes, which shall include: (i) any joint ownership, whether or not ownership is deeded, of a Resort Unit where unrelated (i.e., non-family) owners share and enjoy use or occupation of the Resort Unit according to a periodic (fixed or floating) schedule based on time intervals, points or other rotational system; or (ii) any club, the membership of which allows access and use of one or more properties by its members based on availability and reservation priorities, commonly known as destination clubs (equity or non-equity) or vacation clubs.
5. Hospitality Services. The Front Desk Unit Owner shall offer certain hospitality services to all Resort Unit Owners and the occupants of the Hotel Unit (the "**Standard Hospitality Services**") and certain optional hospitality services to Resort Unit Owners and occupants of the Hotel Unit selecting such services (the "**A la Carte Services**") (collectively, the "**Hospitality Services**"). The Front Desk Unit Owner may alter the types and amounts of Hospitality Services provided at the Project, may offer additional Hospitality Services or decrease Hospitality Services, in its sole discretion. Each Resort Unit Owner and the Hotel Unit Owner will be required to participate in the Standard Hospitality Services and the cost of Standard Hospitality Services will be an expense payable by all Resort Unit Owners and the Hotel Unit Owner. Accordingly, the Front Desk Unit Owner's decision to offer more or less services will cause an adjustment to maintenance fees or other costs attributable to the Resort Unit. The Owner of the Front Desk Unit shall also offer the A la Carte Services to Resort Unit Owners and occupants of the Hotel Unit requesting such

additional services. The individual unit owner requesting such service or such owner's guest or occupant will pay for such A la Carte Services. The Front Desk Unit Owner may delegate its duties hereunder to the Resort Manager. The Hospitality Services are further discussed in the Declaration.

6. Resort License Agreement and Marketing License Agreement; Relationship with Hyatt. Project Developer has entered into a Resort Management Agreement (the "**Resort Management Agreement**") with Hyatt pursuant to which Hyatt will operate and manage portions of the Project, including the Shared Facilities. Project Developer has also entered into a Marketing License Agreement (the "**Marketing License Agreement**") with Hyatt to market and sell the Resort Units under the Hyatt name, and subsequently assigned such right to market and sell the Resort Units to Developer. Certain rights and obligations under the Marketing License Agreement shall be assigned to and assumed by Developer in connection with the marketing and sale of the Resort Units covered hereunder. In order to continue to retain the rights to the Hyatt brand name, the Shared Facilities must be managed, operated and maintained and the Resort Units must be marketed and sold in accordance with the standards established by Hyatt (the "**Brand Standards**"). The "Brand Standards" refers generally to the first class hotel standards of construction, maintenance and operation of Hyatt properties which are owned and operated by Hyatt, its successors, assigns, or any of its affiliates or licensees and which are designed as "Hyatt" hotels. **The Hyatt brand name and trademarks will not continue to be associated with any portion of the Project upon termination of the Resort Management Agreement for any reason whatsoever. Developer is solely responsible for the sales and marketing of the Resort Units, subject to the restrictions set forth in the Marketing License Agreement.**

The right and license to use the Hyatt brand name and trademarks is not part of the common elements or otherwise included in the Resort Units being acquired by a purchaser. Accordingly, neither the Association nor the Resort Unit Owners have any right, title or interest in and to the name Hyatt or any of the Hyatt trademarks.

If the Resort Management Agreement is terminated, the Project must cease using the Hyatt brand name and trademarks. A purchaser should not acquire a Resort Unit with the expectation that the Hyatt brand name and trademarks will continue to be associated with the Resort Units during his or her entire period of ownership.

Certain fees, costs and expenses incurred to maintain the right and license to use the Hyatt brand name and trademarks and to maintain the Shared Facilities to the standards required by the Resort Management Agreement are part of the common expenses of the Project and charged through the Shared Facilities Fee. The failure of the Association to approve budgets sufficient to cover required maintenance expenses could result in a failure to maintain the Brand Standards and accordingly, a termination of the Resort Management Agreement. Hyatt is not responsible for and makes no representation or warranty concerning construction of the Project, obtaining required permits, licenses and approvals to develop the Project and sell the Resort Units or ensuring that the Resort Units are sold in accordance with all applicable laws, codes, ordinances and other governmental requirements. Hyatt's retention and exercise of rights of approval or inspection with respect to the marketing and sale of the Resort Units at the Project are for the purpose of protection of Hyatt's interest in the Hyatt brand name and trademarks only. Developer has the sole right and responsibility for the manner and means by which the Resort Units are sold.

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General Information On Condominiums

A condominium is a special form of ownership of real property. To create a condominium in Hawaii after July 1, 2006, the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, must be followed. In addition, certain requirements and approvals of the county in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land and/or the building(s) and other improvements are leased to the purchaser. The lease for the land usually requires that at the end of the lease term, the lessees (unit owners) deliver their interest in the land to the lessor (fee property owner).

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

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

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

Operation of the Condominium Project

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

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as a unit owner. The Board and officers can take certain actions without the vote of the unit owners. For example, the Board may hire and fire employees, increase or decrease maintenance fees, adopt budgets for revenues, expenses and reserves and regulate the use, maintenance, repair and replacement of common elements. Some of these actions may significantly impact the unit owners.

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

1. THE CONDOMINIUM PROJECT

1.1 The Underlying Land

Fee Simple or Leasehold Project	<input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	<input checked="" type="checkbox"/> Yes* <input type="checkbox"/> No
Fee Owner's Name if Developer is not the Fee Owner	
Address of Project	3550 Wailea Alanui Drive Wailea, Hawaii 96753
Address of Project is expected to change because	
Tax Map Key (TMK)	(2) 2-1-008:067
Tax Map Key is expected to change because	
Land Area	15.578 acres
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	

*Developer is the fee owner of the units offered for sale under this Public Report. The remaining units are owned by Project Developer (see paragraph 1 on page 1a of this Public Report).

1.2 Buildings and Other Improvements

Number of Buildings	9
Floors Per Building	1-7 (Villa D-2; Villas E and F - 3)
Number of New Building(s)	8
Number of Converted Building(s)	1 (Hotel and parking structure)
Principle Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	Concrete, wood and steel.

1.3 Unit Types and Sizes of Units

Unit Type	Quantity	BR/Bath	Net Living Area	Net Other Areas	Other Areas (lanai, garage, etc.)	Total Area
See Exhibit <u> A </u>						

30*	Total Number of Units
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*This Public Report covers the units owned by Developer, which include 12 of the 30 total units within the Project.

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