REAL ESTATE COMMISSION
PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF REGULATORY AGENCIES
STATE OF HAWAII
1010 RICHARDS STREET
P. O. BOX 3469
HONOLULU, HAWAII 96801

PRELIMINARY
HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT

on
PALEHUA HALE, PHASE II
Makakilo Drive
Ewa Beach, Hawaii

REGISTRATION NO. 985

IMPORTANT — Read This Report Before Buying

This Report Is Not an Approval or Disapproval of This Condominium Project

It reflects information obtained by the Real Estate Commission in its investigation of the project. This report, based on a principle of disclosure, is issued by the Commission for the purpose of preventing fraud, misrepresentation or deceit.

The developer shall not enter into a binding contract or agreement for the sale of any unit in a Condominium Project but may only take reservations therefore after

(1) A copy of this Report has been given to the prospective purchaser,
(2) The latter has been given an opportunity to read same, and,
(3) His receipt taken therefor.

Issued : April 13, 1978
Expires: May 13, 1979

SPECIAL ATTENTION

A comprehensive reading of this report by prospective purchasers is urged in order that personal requirements and expectations to be derived from the property can be ascertained. The attention of the purchaser and prospective purchaser is particularly directed to the following:

THE REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED ON MARCH 31, 1978, AND ADDITIONAL INFORMATION SUBSEQUENTLY FILED AS OF APRIL 5, 1978. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY ACT, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

1. PALEHUA HALE, Phases I, II and III, is a fee simple condominium project consisting of fifteen (15) two-story multi-family residential buildings containing eighty-seven (87) residential units, of which eighty-six (86) will be condominium apartments and one (1)

will be the resident manager's apartment and a part of the common elements. There will be one hundred seventy-four (174) parking stalls provided in the parking areas.

2. The Developer is developing and selling this project in three phases. This Preliminary Public Report, while describing the entire condominium project, covers only the sale of apartments in Phase II, to be known as PALEHUA HALE, PHASE II. Phase II shall consist of twenty-nine (29) units, all of which shall be contained in five (5) buildings, and there shall be two parking stalls appurtenant to each unit, or a total of fifty-eight (58) parking stalls.

3. The documentation submitted by the Developer reflects that the Developer will acquire the land from the Trustees under the Will and of the Estate of James Campbell, Deceased, the present owners of the land, prior to the conveyance of apartments in the project.

4. The Developer is attempting to arrange for the financing of purchases of apartments in the project by way of mortgages insured by the Department of Housing and Urban Development pursuant to Section 234 of Title II of the National Housing Act and is currently arranging for the financing by way of mortgages guaranteed by the Veterans Administration under Section 1810(a)(6) of Title 38 of the U.S. Code. As a condition of its providing such insurance, the Department of Housing and Urban Development will require that the Association of Apartment Owners of Palehua Hale enter into with the Department and record a Regulatory Agreement whereby the Association may be regulated and restricted by the Department. The Regulatory Agreement will be executed by the Developer for and on behalf of the Association and recorded with the Declaration. Purchasers of apartments in the project should, therefore, familiarize themselves with the provisions of the Regulatory Agreement.

5. The Developer of the project has submitted to the Commission for examination all documents deemed necessary for the registration of a condominium project and issuance of this Preliminary Public Report. The Developer is held responsible for placing this Preliminary Public Report (yellow paper stock) in the hands of all purchasers and prospective purchasers. Securing a signed copy of the receipt for the Horizontal Property Regime Public Report from each purchaser and prospective purchaser is also the responsibility of the Developer.

6. The basic documents (Declaration of Horizontal Property Regime of Palehua Hale, Bylaws of Association of Apartment Owners of Palehua Hale and a copy of the floor plans of the project) have not yet been filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.

7. No advertising and promotional matter has been submitted to the Commission.

8. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514A, Hawaii Revised Statutes, and the Rules and Regulations which relate to Horizontal Property Regimes.

9. This Preliminary Public Report automatically expires thirteen (13) months after date of issuance, April 13, 1978, unless a Supplementary Public Report issues or the Commission, upon review of the registration, issues an order extending the effective period of this report.

NAME OF PROJECT: PALEHUA HALE, Phase II

LOCATION: The land, consisting of one (1) parcel containing 9.268 acres, is situate at Makakilo Drive, Ewa Beach, Hawaii, being further described as Lot 2561, as shown on Map 264 filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 1069, being a portion of the land covered by Transfer Certificate of Title No. 176,263 issued to the Trustees under the Will and of the Estate of James Campbell, Deceased.

TAX KEY: 9-2-19-32

ZONING: Planned Development-Housing (PD-H), portion of District No. R-40A, under Ordinance No. 4271 of the City and County of Honolulu, approved January 23, 1974.

DEVELOPER: Finance Realty Company, Limited, a Hawaii corporation, whose principal place of business and post office address is 195 South King Street, Honolulu, Hawaii 96813 (telephone: 548-3347), is the Developer of this project. The officers of the Developer are:

Mun On Chun	President
Journ T. Yee	Vice President
Daniel B. T. Lau	Vice President & Secretary
Clifford H. N. Yee	Vice President
Jerold Y. K. Chun	Vice President & Treasurer
Wendell K. Pang	Vice President

ATTORNEY REPRESENTING DEVELOPER: Wendell K. Pang, 195 South King Street, Honolulu, Hawaii (Telephone: 548-3356).

DESCRIPTION: The Developer is contemplating the development of a single condominium project which is scheduled to be constructed and sold in three phases, designated as Phases I, II and III.

Phase II shall consist of twenty-nine (29) condominium apartments contained in five (5) buildings, being Buildings 92-1044, 92-1046, 92-1048, 92-1050 and 92-1006.

The apartments will be constructed principally of wood. Division walls will be principally of double stud wall construction with acoustical insulation. Ground floors are of concrete slab construction, except that Type 3BS and 4BS apartments have ground floors which are wood floors of pier and post construction. There are no basements.

The apartments shall be of seven types, designated as Type 2BF, Type 3BF, Type 4BF, Type 3BS, Type 4BS, Type 3BSF and Type 4BSF, described below. In Phase II, there are apartments of the following types: Type 2BF, Type 3BF, Type 4BF, Type 3BS and Type 4BS.

Type 2BF - The Type 2BF apartment is a ground level apartment which contains an enclosed storage area at the rear of the apartment, an entry hall, utility closet, kitchen and living room-dining area on the first floor, and two bedrooms, one full bathroom, a storage closet and a linen closet on the second floor, with an interior stairway connecting both floors, for a gross floor area, including exterior storage area, of 952 square feet. In addition the apartment includes as limited common elements a fenced yard area adjacent to the entry of the apartment and a fenced yard area adjacent to the rear of the apartment, as shown on the Condominium Map.

Type 3BF - The Type 3BF apartment is a ground level apartment which contains enclosed storage areas at the front and rear of the apartment, an entry hall, coat closet, two storage closets, kitchen, living room-dining area and a half bath/utility room on the first floor, and three bedrooms, one full bathroom and a linen closet on the second floor, with an interior stairway connecting both floors, for a gross floor area, including exterior storage area, of 1,230 square feet. In addition the apartment includes as limited common elements a fenced yard area adjacent to the front entry of the apartment and a fenced yard area adjacent to the rear of the apartment, as shown on the Condominium Map, except for Apartment Nos. 19, 24, 54 and 59, each of which has fenced front, side and rear yard areas adjacent to each such apartment.

Type 3BS - The Type 3BS apartment is a split level apartment which contains an enclosed storage area at the front of the apartment, an entry hall at ground level, a kitchen, living room-dining room, a half bath/utility room and a lanai with enclosed storage area on the first floor, and three bedrooms, one full bathroom, a storage closet, and a linen closet on the second floor, with an interior stairway connecting both floors, for a gross floor area, including the lanai and exterior storage areas, of 1,347 square feet. In addition each of Apartment Nos. 77, 78, 79 and 80 includes as limited common elements a fenced yard area adjacent to the front entry of the apartment and back steps leading to the fenced yard area adjacent to the rear of the apartment, as shown on the Condominium Map. Each of Apartment Nos. 83, 84, 85 and 86 includes as a limited common element a fenced yard area adjacent to the front entry of the apartment, as shown on Condominium Map.

Type 3BSF - The Type 3BSF apartment is a split level apartment which contains an enclosed storage area at the front of the apartment, an entry hall at ground level, a kitchen, living room-dining room, a half bath/utility room and a lanai with enclosed storage area on the first floor, and three bedrooms, one full bathroom, a storage closet, and a linen closet on the second floor, with an interior stairway connecting both floors, for a gross floor area, including the exterior storage areas, of 1,315 square feet. In addition the apartment includes as limited common elements a fenced yard area adjacent to the front entry of the apartment and the fenced yard area adjacent to the rear (and, as to Apartment No. 25 only, and side) of the apartment, as shown on the Condominium Map.

Type 4BF - The Type 4BF apartment is a ground level apartment which contains an enclosed storage area at the rear of the apartment, an entry hall, coat closet, three storage closets, kitchen, living room-dining area, utility room, and master bedroom with a walk-in closet and one full bathroom on the first floor, and three bedrooms, one full bathroom and a linen closet on the second floor, with an interior stairway connecting both floors, for a gross floor area, including exterior storage areas, of 1,451 square feet. In addition the apartment includes as limited common elements a fenced yard area adjacent to the front entry of the apartment and a fenced yard area adjoining the rear and side of the apartment, as shown on the Condominium Map.

Type 4BS - The Type 4BS apartment is a split level apartment which contains two enclosed storage areas at the front of the apartment, an entry hall and master bedroom with one full bathroom at ground level, one storage closet, kitchen, living room-dining area, and lanai with enclosed storage area on the first floor, and three bedrooms, one full bathroom, a storage closet and a linen closet on the second floor, with an interior stairway connecting both floors, for a gross floor area, including the lanai and exterior storage areas, of 1,575 square feet. In addition the apartment includes as limited common elements a fenced yard area adjacent to the front entry of the apartment, back steps and, for Apartment Nos. 76 and 81, a fenced yard area adjoining the rear and side of the apartment, and for Apartment Nos. 82 and 87, a fenced yard area adjoining the side of the apartment, as shown on the Condominium Map.

Type 4BSF - The Type 4BSF apartment is a split level apartment which contains two enclosed storage areas at the front of the apartment, an entry hall and master bedroom with one full bathroom at ground level, one storage closet, kitchen, living room-dining area, and lanai with enclosed storage area on the first floor, and three bedrooms, one full bathroom, a storage closet and a linen closet on the second floor, with an interior stairway connecting both floors, for a gross floor area, including the lanai and exterior storage areas, of 1,543 square feet. In addition the apartment includes as limited common elements a fenced yard area adjacent to the front entry of the apartment and the fenced yard area adjoining the rear and side of the apartment, as shown on the Condominium Map.

Apartment types designated with "R" after the apartment type are reverse types of such model.

The respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls, the floors and ceilings surrounding each apartment or any pipes, wires, conduits or other utility or service lines running through such apartment, which are utilized for or serve any other apartment, the same being deemed common elements as hereinafter provided. Each apartment shall be deemed to include all the walls and partitions which are not load-bearing within its perimeter walls, the inner decorated or finished surfaces of all walls, floors and ceilings, all fixtures originally installed therein, and the enclosed exterior storage area at the front or rear of the apartment and any lanai.

NOTE: The proposed Declaration reserves the right to the Developer to amend the Declaration at any time prior to December 31, 1979 without the consent of any apartment owner or the Association of Apartment Owners or any other person holding an interest in any apartment of the project for the purpose of merging any completed phase of the project with any other completed phase, thereby causing as of the effective date of such amendment all apartments in the merged phases to constitute a part of the project and all owners of apartments in the merged phases to constitute one association of apartment owners, provided, however, that the Declaration may not be so amended and the phases may not be so merged without prior written approval by the VA Loan Guaranty Officer or his designee, as the case may be.

COMMON ELEMENTS: The proposed Declaration of Horizontal Property Regime states that the common elements shall include (a) the land; (b) Apartment No. 57, located in Building 92-1010 for the use of the resident manager; (c) Parking Stalls Nos. 93 and 94, which shall be appurtenant to Apartment 57; (d) the recreation area as shown on the Condominium Map; (e) all foundations, floor supports, retaining walls, fences, columns, supports, unfinished perimeter walls and load-bearing walls, and roofs of the residential buildings; (f) all yards, grounds and landscaping, walkways, service parking areas, parking areas and driveways, and all refuse facilities; (g) all ducts, electrical equipment, wiring, pipes and other central and appurtenant transmission facilities and installations over, under and across the project which serve more than one apartment for services such as power, light, water, sewer, telephone and radio and television signal distribution; (h) any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance and safety, or normally in common use.

LIMITED COMMON ELEMENTS: The proposed Declaration provides that certain parts of the common elements, called and designated as limited common elements, shall be for the exclusive use and enjoyment of certain apartments, as follows: (a) all common elements which are necessary or convenient for the use of an apartment and which are situated within that certain area referred to herein as the "townhouse site," the perimeter of which is delineated on the Condominium Map, are hereby designated as limited common elements appurtenant to and for the exclusive use of the apartment contained within the respective townhouse site. Said perimeter is in part delineated on the Condominium Map by the fences surrounding the yard areas adjoining the front entry and rear and side of the apartment, as the case may be. The general location of the fences is shown on the fence plans filed as part of the Condominium Map but the actual height, location and placement of the fences may vary on account of the topography; (b) each apartment shall have appurtenant thereto an exclusive right to use the parking stall(s) assigned to such apartment as set forth in Exhibit attached hereto; provided, however, that each apartment shall have at least one parking stall appurtenant to it but otherwise any parking stall may be conveyed and made appurtenant to another apartment by a written

instrument which expressly identifies the apartment to which the parking stall is appurtenant as well as the apartment to which the parking stall will become appurtenant, which written instrument shall also be denominated an amendment of the Declaration, shall be executed by the owner of each apartment affected, with the consent of the mortgagee, if any, of each apartment affected, and shall be effective upon the filing of the instrument in the Office of the Assistant Registrar of the Land Court of the State of Hawaii. A copy of said instrument, together with the filing data, shall be given to the Association by the affected apartment owners within 15 days of the filing thereof; (c) all other common elements of the project which are rationally related to less than all of said apartments or buildings shall be limited to the use of such apartments or buildings.

EASEMENTS: The Declaration provides that the apartments and common elements shall have and be subject to the following easements: (a) each apartment shall have appurtenant thereto nonexclusive easements in the common elements designed for such purposes for ingress to, egress from, utility services for and support of such apartment; in the other common elements for use according to their respective purposes, subject always to the exclusive or limited use of the limited common elements as herein provided and in all other apartments of its building for support; (b) the exception and reservation unto the Owners, its successors and assigns, of easements for electrical, gas, communications and other utility or recreational or walkway purposes and for sewer, drainage and water facilities over, under, along, across and through said land, together with the right to grant to the State of Hawaii, City and County of Honolulu, Board of Water Supply of the City and County of Honolulu or any other appropriate governmental agency or public utility, or to any other individual, corporation or association, easements for such purposes over, under, across, along and through said land under the usual terms and conditions required by the grantee for such easement rights; provided, however, that such easement rights must be exercised in such manner as not unreasonably to interfere with the use of said land by the Apartment Owners, their successors and assigns, and in connection with the installation, maintenance or repair of any facilities pursuant to any of said easements said land shall be promptly restored by and at the expense of the person owning and exercising such easement rights to the condition of said land immediately prior to the exercise thereof, and each Apartment Owner, by purchasing an apartment in this project, agrees that such Apartment Owner and any person claiming an interest in said land by, through or under such Apartment Owner will, upon request, join in and execute any and all documents designating and granting any such easements; (c) if any part of the common elements encroaches upon any apartment or limited common element, a valid easement for such encroachment and the maintenance thereof, so long as it continues, shall and does exist. In the event any buildings of the project shall be partially or totally destroyed and then rebuilt, minor encroachments of any parts of the common elements due to construction shall be

permitted, and valid easements for such encroachments and the maintenance thereof shall exist; (d) the Association of Apartment Owners of the project shall have the right, to be exercised by its Board of Directors or Managing Agent, to enter any apartments and limited common elements from time to time during reasonable hours as may be necessary for the operation of the project or for making emergency repairs therein required to prevent damage to any apartments or common elements or for the installation, repair or replacement of any common elements or for the purpose of reading any utility meters or of maintaining any sewer laterals; (e) upon written approval by the Board of the installation of a solar energy system to serve any apartment in the project, such apartment shall have an easement in its favor to place, maintain and operate a solar energy system on the roof of the building in which such apartment is located and over, across and through such other common elements of the building as shall be reasonably required in connection with the operation and repair of the solar energy system serving such apartment; subject to such conditions as the Board shall impose. Upon the installation of such a system, it shall be considered a fixture and a part of the apartment which it serves. Such a system may be removed by its owner at such owner's sole expense upon written notice to the Board, but such owner shall be obligated to repair any damage to the roof or other common elements of the building affected by such removal. The owner of each such system shall keep his system in working order and good condition at all times and shall not abandon the same; provided, however, that if any owner is in default under any provision contained in this subparagraph (e), the Board may correct such violation and recover its expenses, including a reasonable attorney's fee, from the owner in default; (f) the Developers reserve to itself, its successors and assigns, until December 31, 1979, or until such time as all of the improvements for the project have been completed in accordance with the plans filed as aforesaid as said Condominium Map, whichever shall first occur, the following rights:

(i) An easement over, under and across the common elements of the project, both general and limited, for the purpose of all work connected with or incidental to the development, construction and sale of the project or any part thereof or any apartment or interest therein.

(ii) The right, appurtenant to the undeveloped portions of the land, in the nature of an easement over and upon any other portion of the land, to create and cause dust, noise, vibration and other nuisances created by and resulting from any work connected with or incidental to the development, construction and sale of the project or any part thereof or any apartment therein in said undeveloped portions of said land.

INTEREST TO BE CONVEYED TO PURCHASER. The undivided interest in the common elements appertaining to each of the seven types of apartments and their owners for all purposes, including voting, is as follows:

Apartment Number	Type	Percentage Interest
49, 50, 56, 61, 62, 65, 66	2BF	.8767
8, 9, 10, 11, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 37, 38, 39, 40, 43, 44, 45, 46, 51, 52, 54, 55, 59, 60, 67, 68, 71, 72, 73, 74	3BF	1.1298
7, 12, 13, 18, 36, 41, 42, 47, 48, 53, 58, 63, 64, 69, 70, 75	4BF	1.3480
77, 78, 79, 80, 83, 84, 85, 86	3BS	1.1050
76, 81, 82, 87	4BS	1.3091
2, 3, 4, 5, 25, 26, 27, 28, 31, 32, 33, 34	3BSF	1.1050
1, 6, 29, 30, 35	4BSF	1.3091

COMMON EXPENSES: The proposed Declaration provides that all charges, costs and expenses whatsoever incurred by the Association for or in connection with the administration of the project, including without limitation the operation thereof, any maintenance, repair, replacement and restoration of the common elements and any additions and alterations thereto, any labor, services, materials, supplies and equipment therefor, any liability whatsoever for loss or damage arising out of or in connection with the common elements or any accident, fire or nuisance thereon, and any premiums for hazard and liability insurance herein required with respect to the project shall constitute common expenses of the project for which all apartment owners shall be severally liable in proportion to their respective common interests. Real property taxes and special assessments referred to in Section 514A-6, Hawaii Revised Statutes, as amended, shall not be common expenses of the horizontal property regime hereby created and no payments thereof shall be payments of such common expenses. The Board of Directors of the Association (herein called the "Board") shall from time to time assess the common expenses against all the apartments in their respective proportionate shares, and the unpaid amount of such assessments against any apartment shall constitute a lien against such apartment which may be foreclosed by the Board or Managing Agent as provided by said Horizontal Property Act, provided that 30 days' prior written notice of intention to foreclose shall be mailed, postage prepaid, to the apartment owner and all other persons having any interest in such apartment as shown in the Association's record of ownership. Notwithstanding anything

to the contrary, however, until the completion and merger of a phase of the project with another phase, each apartment owner in each phase of the project shall be severally liable for common expenses attributable to such phase in the proportion that the common interest appurtenant to such apartment bears to the total of the common interests appurtenant to all apartments in such phase as determined by the Managing Agent in accordance with Paragraph C of the Declaration; provided, however, that when a phase of the project is merged with another phase or other phases which have previously been merged, each apartment owner in the phases which have been merged shall be severally liable for common expenses attributable to such merged phases in the proportion that the common interest appurtenant to such apartment bears to the total of the common interests appurtenant to all apartments in such merged phases as determined by the Managing Agent in accordance with Paragraph C; provided, further, that such common expenses attributable to any undeveloped phase of the project or any phase in the process of being developed, to the extent that any apartments in such phase have not been conveyed to a purchaser thereof, shall be borne by the Developer until the completion and merger of such phase as herein provided, and until the purchasers of apartments within such phase assume responsibility with respect thereto.

PURPOSE OF BUILDING AND RESTRICTIONS AS TO USE: The proposed Declaration provides that the building shall at all times be occupied and used only as private dwellings by the respective owners thereof, their tenants, families, domestic servants and social guests, and for no other purpose. Notwithstanding anything to the contrary, however, Developer reserves the right to itself, its successors and assigns, until December 31, 1979 or until such time as the total condominium project is developed in accordance with the Condominium Map and all apartments therein have been sold, whichever shall first occur, to erect signs in the project and to use apartments as sales offices and as models for display to the public pursuant to the sales of apartments in this project and other projects of Developer. The apartments shall not be rented for transient or hotel purposes, which are defined as (a) rental for any period less than 30 days, or (b) any rental in which the occupants of the apartment are provided customary hotel services such as room service for food and beverage, maid service, laundry and linen or bellboy service. Except for such transient or hotel purposes the owners of the respective apartments shall have the absolute right to lease such apartments subject to all provisions of the Declaration.

OWNERSHIP TO TITLE: The fee simple title to the land is vested in the Trustees under the Will and of the Estate of James Campbell, Deceased.

ENCUMBRANCES AGAINST TITLE: A Lien Letter Report prepared by Security Title Corporation, dated March 16, 1978 shows that the land is subject to the following encumbrances:

1. For any taxes that are due and owing and a lien

on the land, reference is hereby made to the Office of the Tax Assessor, First Division.

2. Development Rights dated May 5, 1966, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 391241, made by and between Alan S. Davis, M. L. Randolph and George M. Collins, Trustees under the Will and of the Estate of James Campbell, Deceased, and Finance Realty Co., Ltd., a Hawaii corporation.

3. Mortgage dated July 13, 1972, filed in said Office of the Assistant Registrar as Document No. 589482, made by Finance Realty Co., Ltd., a Hawaii corporation, as Mortgagor, to Bank of Hawaii, a Hawaii corporation, as Mortgagee, to secure the repayment of the sum of $4,700,000, any additional advances and other amounts secured thereby, all according to the terms of that certain promissory note of said mortgagor therein referred to (also affects other property). Consent thereto filed as Document No. 589483.

4. Additional Charge Mortgage dated November 14, 1974, filed in said Office of the Assistant Registrar as Document No. 703186, made by Finance Realty Co., Ltd., a Hawaii corporation, as Mortgagor, to Bank of Hawaii, a Hawaii corporation, as Mortgagee, to secure the repayment of the additional loan of $4,300,000, together with interest thereon in accordance with the terms of the promissory note therein referred to. Consent thereto filed as Document No. 703187. This is an additional charge mortgage to the foregoing mortgage.

5. Second Additional Charge Mortgage dated May 13, 1976, filed in said Office of the Assistant Registrar as Document No. 766717, made by Finance Realty Co., Ltd., as Mortgagor, to Bank of Hawaii, as Mortgagee, to secure the repayment of the additional loan of $1,500,000.00, together with interest thereon in accordance with the terms of the promissory note therein referred to. Consent thereto filed as Document No. 766718. This is an additional charge mortgage to the foregoing mortgage.

6. Undated Financing Statement recorded on May 28, 1976 in the Bureau of Conveyances in Book 11411, at Page 7.

7. By instrument dated January 12, 1977, filed in said Office of the Assistant Registrar as

Document No. 801573, the Development Rights, Mortgage and Additional Charge Mortgages described above were amended.

8. By instrument dated January 25, 1978, filed in said Office of the Assistant Registrar as Document No. 857303, said Mortgage and Additional Charge Mortgage described above were further amended.

9. Additional Charge Mortgage dated February 17, 1978, filed in said Office of the Assistant Registrar as Document No. 861755, also recorded in the Bureau of Conveyances of the State of Hawaii in Book 12737, at Page 615, made by Finance Realty Co., Ltd., as Mortgagor, to Bank of Hawaii, as Mortgagee.

10. Designation of Easement 814 (5 feet wide) as shown on Map 264, and Grant of Easement to the United States of America dated November 3, 1977, filed as Document No. 856786.

11. Designation of Easements 812, 814 and 815, as shown on Map 264, as set forth by Land Court Order No. 42816, filed September 15, 1975.

PLANNED DEVELOPMENT-HOUSING: This project has been zoned as Planned Development-Housing (PD-H) District No. R-40A pursuant to Ordinance No. 4271 of the City and County of Honolulu approved January 23, 1974. In accordance with said Ordinance it has been necessary to incorporate all of the conditions set forth therein as part of the restrictive covenants running with the land and made a part of any sales agreement with any future owners. Therefore, Paragraph Q of the Declaration, which so incorporates those restrictive covenants provides as follows:

> Q. PLANNED DEVELOPMENT-HOUSING. The project has been zoned as Planned Development-Housing (PD-H) District No. R-40A pursuant to Ordinance No. 4271 of the City and County of Honolulu approved January 23, 1974. Unless and until they are repealed or otherwise superseded or amended, the provisions of Ordinance No. 4271 and the restrictive covenants therein, shall constitute covenants running with the land which shall inure to the benefit of the City and County of Honolulu and its successors and shall be binding upon all who now or hereafter may own or occupy any interest in the project; provided, however, that if any such provision or restrictive covenant is repealed or otherwise superseded, it shall automatically cease to operate as a covenant running with the land; and provided further, however, that if any such provision or restrictive covenant

is amended, it shall thereafter operate as a covenant running with the land only in its amended form.

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS. This project is part of a planned community development known as the Palehua Community, which the Developer is developing upon certain real property situate at Honouliuli, District of Ewa, City and County of Honolulu, State of Hawaii. All of the real property which is part of the project shall be held, sold, encumbered, leased, occupied, and improved subject to the covenants, conditions, restrictions, limitations, reservations and easements contained in and established by that certain Declaration of Covenants, Conditions and Restrictions of the Palehua Community, dated January 14, 1977, and filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 801577, as the same may be amended from time to time as provided therein, which covenants, conditions, restrictions, limitations, reservations and easements shall run with the land and inure to the benefit of the Developer, the parties thereto, the Palehua Community Association, and each owner thereof or of any part thereof, and each successor in interest of such owner. A copy has been filed with the Real Estate Commission.

USE OF ADDITIONAL RECREATIONAL FACILITIES. All apartment owners will have the right to use recreational facilities in the Palehua Community in the vicinity of the project and to be designated by the Developer, subject to the obligation on the part of all apartment owners to pay for the maintenance of such facilities in a fair and equitable manner with the other persons entitled to the use thereof and subject to the reasonable rules and regulations.

PURCHASE MONEY HANDLING: A copy of the Escrow Agreement dated February 8, 1978, by and between Bank of Hawaii, a Hawaii corporation, as Escrow, and Finance Realty Company, Limited, a Hawaii corporation, as Seller, has been submitted to the Commission as part of this registration. On examination the Escrow Agreement and Sales Contract are found to be in compliance with Chapter 514A, Hawaii Revised Statutes. The provisions of the Sales Contract should be carefully read by the purchasers. The specimen document filed as a part of the registration recites the conditions under which the purchaser acknowledges receipt of the Public Report.

The specimen Sales Contract provides among other things that: (1) if less than 80% of the apartments in the phase of the project in which an apartment is located are sold to purchasers thereof approved by HUD prior to December 31, 1979, Seller at its option may cancel the agreement and refund to the purchaser all payments made by the purchaser without deduction or interest, and both seller and the purchaser shall be released from all obligations to each other under the agreement; (2) the purchaser agrees that all rights of the purchaser are and at all times will be subject and subordinate to the lien of any mortgage to a lending institution, and to all advances, modification, extensions and renewals thereof, made to finance the cost of construction of the project.

An addendum to the specimen Sales Contract provides that the Developer is negotiating with the Estate of James Campbell for the acquisition of the fee title upon which the project is to be constructed, and that should the Developer be unable to deliver fee simple title to the apartment being purchased, the purchaser shall have the option to rescind the agreement and any deposit made by purchaser shall promptly be returned to purchaser and all rights and obligations of the purchaser and the Developer under the agreement shall immediately terminate with no further liability of either party to the other.

It is incumbent upon the purchaser that he read with care the Sales Contract and Escrow Agreement. The Escrow Agreement establishes how the proceeds from the sale of the apartments and all sums of any source are placed in trust as well as the retention, disbursement and refund of said trust fund.

MANAGEMENT AND OPERATION: A Management Agreement has been submitted to the Commission which appoints Mahalo Nui Management, Inc., 195 South King Street, Honolulu, Hawaii, as the managing agent for the project. Purchasers are hereby informed that said managing agent is an affiliate and a wholly-owned subsidiary of the Developer.

HOUSE RULES: The Developer has submitted to the Commission a set of House Rules which shall be in force from the inception of the project.

STATUS OF THE PROJECT: The Developer reports that construction of the project has commenced and that completion of Phase II is scheduled for August 31, 1978.

The purchaser or prospective purchaser shall be cognizant of the fact that this published report represents information disclosed by the Developer in the required Notice of Intention submitted March 31, 1978, and information subsequently filed as of April 5, 1978.

This PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 985 filed with the Commission on March 31, 1978.

The report, when reproduced, shall be a true copy of the Commission's public report. The paper stock must be yellow in color.

Ah Kau Young

AH KAU YOUNG, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:
- Department of Taxation
- Bureau of Conveyances
- Planning Department, City and County of Honolulu
- Federal Housing Administration
- Escrow Agent

REGISTRATION NO. 985

April 13, 1978

EXHIBIT

Building Number	Apartment No.	Apartment Type	Parking Stall No(s)	
92-1006	59	3BF(R)	73	74
"	60	3BF	71	72
"	61	2BF	97	98
"	62	2BF(R)	99	100
"	63	4BF(R)	101	102
92-1050	64	4BF(R)	141	142
"	65	2BF(R)	135	136
"	66	2BF	133	134
"	67	3BF	131	132
"	68	3BF(R)	129	130
"	69	4BF	127	128
92-1048	70	4BF	143	144
"	71	3BF(R)	145	146
"	72	3BF	139	140
"	73	3BF(R)	137	138
"	74	3BF	147	148
"	75	4BF(R)	149	150
92-1046	76	4BS	157	158
"	77	3BS	155	156
"	78	3BS(R)	151	152
"	79	3BS	153	154
"	80	3BS(R)	159	160
"	81	4BS(R)	161	162
92-1044	82	4BS	163	164
"	83	3BS	165	166
"	84	3BS(R)	173	174
"	85	3BS	171	172
"	86	3BS(R)	167	168
"	87	4BS(R)	169	170