

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer WAIAKEA VILLAS, LLC
Address 400 Hualani Street, Hilo, Hawaii 96720

Project Name(*): WAIAKEA VILLAS
Address: 400 Hualani Street, Hilo, Hawaii 96720

Registration No. 1567 (Conversion) Effective date: January 13, 2006
Expiration date: February 13, 2007

Preparation of this Report:

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

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

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

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

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

Type of Report:

- PRELIMINARY:**
(yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.
- FINAL:**
(white) The developer has legally created a condominium and has filed complete information with the Commission.
 No prior reports have been issued.
 This report supersedes all prior public reports.
 This report must be read together with _____
- FOURTH SUPPLEMENTARY:**
(pink) This report updates information contained in the:
 Preliminary Public Report dated: September 15, 1983
 Final Public Report dated: May 29, 1984
 Supplementary Public Report(s) dated: November 1, 1984, November 18, 2003 and November 5, 2004
And Supersedes all prior public reports.
 Must be read together with _____
 This report reactivates the _____ public report(s) which expired on _____

(*) Exactly as named in the Declaration

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

FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

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Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

- Required and attached to this report as Exhibit "J" Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

- (a) The Project now contains 301 apartments, of which 43 apartments have been added in Building 6 (Wailoa Gardens phase) . These Units will be offered for sale by Developer in the future under one or more separate registration number(s);
- (b) Developer has elected to rebuild Building 6 in two phases: 16 units in one building and 27 units in another, all of which shall together be referred to as the Wailoa Gardens phase. Construction of the 16 units has begun. In connection with construction of the First 16 units within Wailoa Gardens and the 27 Units to be subsequently built, apartment owners may suffer from noise, dust and other offensive and inconvenient aspects associated with ongoing construction;
- (c) The Disclosure Abstract (including estimated maintenance fees) (Exhibit J of this Public Report) has been revised to reflect the estimated maintenance cost of the Project and the fact that electrical charges will not be assessed individually for each apartments, but treated as common expenses.
- (d) Developer has entered into new loan arrangements, which are reflected in Paragraph E, page 15 of this Fourth Supplementary Public Report, and in the list of title encumbrances contained in Exhibit G.
- (e) Escrow services are now being provided by Fidelity National Title & Escrow of Hawaii, Inc., as reflected in the most recent Disclosure Abstract (Exhibit J).
- (f) Exhibit J-1 and J-2 have been updated.

This public report does not constitute approval of the Project by the Real Estate Commission or any other governmental agencies, nor does it ensure that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.

PROSPECTIVE PURCHASERS ARE CAUTIONED TO CAREFULLY REVIEW ALL DOCUMENTS REGARDING THIS CONDOMINIUM PROJECT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Waiakea Villas LLC Phone: (808) 961-2841
Name* (Business)
400 Hualani Street
Business Address
Hilo, Hawaii 96720

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

Hotels in Paradise, Inc. - Member
(Simon Bebb - President, Treasurer & Secretary)

Real Estate Broker*: Hilo Brokers, Ltd. ** Phone: (808) 969-9400
Name (Business)
80 Pauahi Street, Suite 105
Business Address
Hilo, Hawaii 96720

Escrow: Fidelity National Title & Escrow of Hawaii, Inc. Phone: (808) 536-0404
Name (Business)
201 Merchant Street, Suite 2100
Business Address
Honolulu, Hawaii 96813

General Contractor*: N/A Phone: _____
Name (Business)

Business Address

Condominium Managing Agent*: Hawaii First, Inc. Phone: (808) 531-5566
Name (Business)
800 Bethel Street
Business Address
Honolulu, Hawaii 96813

Attorney for Developer: Jeffrey S. Grad, Esq. Phone: (808) 521-4757
Name (Business)
841 Bishop St., Ste. 1800
Business Address
Honolulu, HI 96813

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

** Hilo Brokers, Ltd. is the broker for sales of all apartments within the Project other than the 43 apartment located within Building 6 (Wailoa Gardens phase), which will be sold under a separate registration number. It also shares brokerage on Building 9 with Fusako Grant, Inc., 322 Mamaki Street, Honolulu, Hawaii 96821

**II. CREATION OF THE CONDOMINIUM;
CONDOMINIUM DOCUMENTS**

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

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

The Declaration for this condominium is:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded -	Bureau of Conveyances:	Document No. _____	
		Book <u>17881</u>	Page <u>438</u>
<input checked="" type="checkbox"/> Filed -	Land Court:	Document No. <u>1236533</u>	

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

Amended and Restated Declaration dated September 16, 2003, recorded in said Bureau as Document No. 2003-216436 and also filed in Land Court as Land Court Document No. 3005582.

Amendment to Declaration dated November 13, 2003, recorded in said Bureau as Document No. 2003-249502 and also filed in Land Court as Land Court Document No. 3026734.

Amendment to Declaration dated August 9, 2004, recorded in said Bureau as Document No. 2004-174543 and also filed in Land Court as Land Court Document No. 3156594.

Amendment to Declaration recorded and filed May 10, 2005, in said Bureau as Document No. 2005-092429 and as Land Court as Land Court Document No. 3265972.

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

The Condominium Map for this condominium project is:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded -	Bureau of Conveyances	Condo Map No. <u>905</u>	
<input checked="" type="checkbox"/> Filed -	Land Court	Condo Map No. <u>514</u>	

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

Amended and Restated per instrument dated September 16, 2003, recorded in said Bureau as Document No. 2003-216436 and also filed in Land Court as Document No. 3005582.

Amended per instrument dated August 9, 2004, recorded in said Bureau as Document No. 2004-174544 and also filed in Land Court as Land Court Document No. 3156595.

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

The Bylaws for this condominium are:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded -	Bureau of Conveyances:	Document No. _____	
		Book <u>17881</u>	Page <u>472</u>
<input checked="" type="checkbox"/> Filed -	Land Court:	Document No. <u>1236534</u>	

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

Amended and Restated Bylaws dated September 16, 2003, recorded in said Bureau as Document No. 2003-216436 and also filed in Land Court as Document No. 3005582.

Amended and Restated Bylaws recorded in said Bureau as Document No. 2004-174544 and also filed in Land Court as Document No. 3156595.

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

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

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

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u>n/a</u>

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

2. **Developer:**

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

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

See attached Exhibit "A"

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: 400 Hualani Street, Hilo, Hawaii 96720

Tax Map Key (TMK): (3) 2-2-030-003

Address TMK is expected to change because _____

Land Area: 334,635 square feet acre(s) Zoning: General Commercial
(CG 7.5) and Resort -
Hotel - Safety (V-S-0.75)

Fee Owner: Waiakea Villas, LLC
 Name*
400 Hualani Street
 Business Address
Hilo, HI 96720

Lessor: N/A
 Name

 Address

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 12 Floors Per Building Bldgs. 1-8,10: 3 fl.
Bldg. 9: 4fl. Bldgs. 11 & 12: 1fl

Exhibit _____ contains further explanations.

3. **Principal Construction Material:**

Concrete Hollow Tile Wood
 Other aluminum, gypsum board, allied materials

4. **Uses Permitted by Zoning:**

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>294</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Commercial	<u>7</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other-garage	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?
 Yes No

5. Special Use Restrictions:

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

- Pets: None allowed
- Number of Occupants: _____
- Other: No changes affecting exterior of buildings, no air conditioners. See attached Exhibit "J"
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: -0- Stairways: -various- Trash Chutes: -0-

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
<u>SEE ATTACHED EXHIBIT "B"</u>					
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 301

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

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

Boundaries of Each Apartment:

Each apartment shall be deemed to include: (i) all the walls and partitions which are not load-bearing within its perimeter walls, (ii) the interior decorated or finished surfaces of all walls, floors and ceilings, including floor coverings, (iii) any doors and door frames, windows or panels along the perimeters, window frames, (iv) all fixtures originally installed therein, (v) the air space within and bounded by the interior decorated or finished surfaces of the perimeter walls, floors and ceilings, and (vi) the decorated or finished surface of the floor, walls (if any) and ceiling of the lanai(s) appurtenant to the Apartment, the railing (if any) of such lanai(s) and the lanai air space. The respective Apartments shall not be deemed to include: (a) the undecorated or unfinished interior surfaces of the perimeter walls, floors and ceilings, (b) the interior load-bearing walls, (c) the exterior portions and components of the Residential Building in which the Apartment is located, including walls, siding, roofs, attic, space, stairways, breezeways, landings and utility rooms and areas outside of the perimeter walls of the Apartment, and (d) any pipes, shafts, wires, conduits or other utility or services lines running through such Apartment, the same being deemed common elements.

Permitted Alterations to Apartments:

See attached Exhibit "C"

Apartments Designated for Owner-Occupants Only: Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has elected to provide the information in a published announcement or advertisement.

N/A

7. Parking Stalls:

Total Parking Stalls: -275- **None of the stalls are reserved exclusively to an Apartment**

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	_____	_____	_____	_____	_____	_____	_____
Guest	_____	_____	_____	_____	_____	_____	_____
Unassigned	_____	<u>270</u>	_____	_____	_____	_____	<u>270</u>
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other: <u>Handicap</u>	_____	<u>5</u>	_____	_____	_____	_____	<u>5</u>
Total Covered & Open:	<u>275</u>	_____	<u>0</u>	_____	<u>0</u>	_____	<u>275</u>

Each apartment will have the exclusive use of at least -0- parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

- Commercial parking garage permitted in condominium project.
- Exhibit _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

- There are no recreational or common facilities.
- Swimming pool Storage Area Recreation Area
- Laundry Area Tennis Court Trash Chute/Enclosure(s)
- Other: waterscape areas, pond areas and gardens, recreation decks, toilet and restroom facilities and recreational facilities; elevator in Building 6

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

- There are no violations. Violations will not be cured.
- Violations and cost to cure are listed below: Violations will be cured by _____ (Date)

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

See attached Exhibit "D" (Architect's Report dated September 12, 2003)

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

Variance No. 67 was granted to allow 24% compact parking stalls in lieu of the code allowance of 10%. This covers both Project land and neighboring commercial site owned by Developer.

A letter dated September 25, 2003, from the Planning Department, County of Hawaii, on file with the Real Estate Commission, verifies the buildings presently built on the subject premises, are in compliance with all ordinances, codes, rules, regulations or other requirements in force at the time of their construction thereof, and no variance was granted from any ordinance, code, rule, regulation, or other requirements in force at the time of the construction thereof or from any current ordinance, code, rule, regulation or other requirement except that one variance, Variance No. 67 mentioned above.

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

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

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>	
Uses	<u> X </u>	<u> </u>	<u> </u>) see Exhibit M
Structures	<u> X </u>	<u> </u>	<u> </u>	
Lot	<u> X </u>	<u> </u>	<u> </u>	

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

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

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot. Structures may be nonconforming under building, plumbing or electrical codes (see Architect's report -Exhibit "D").

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

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

described in Exhibit E .

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit F.

as follows:

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

described in Exhibit B.

as follows:

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

Exhibit G describes the encumbrances against the title contained in the title report dated November 3, 2005 and issued by Fidelity National Title.



Blanket Liens:

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

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

[x] There are blanket liens which may affect title to the individual apartments.

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgages and Judgment Lien	Buyer's interest may be terminated by mortgagee but Buyer shall be entitled to return of his deposit, less escrow cancellation fee.

F. Construction Warranties:

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

1. Building and Other Improvements:

Developer is giving no warranties to Purchaser on the materials and workmanship of the Apartments, the Building or any of the common elements. The Apartments are being sold in "as is" condition, and Developer makes no warranties or promises (and has not authorized any agents, sales persons or brokers to make any warranties or promises) of any kind, express or implied, about the condition of the Apartments, the property or the Project (including the common elements of the Project), or about any furnishings, fixtures, appliances or other consumer products or anything else installed, attached, affixed or otherwise contained in the Apartment, the property or the Project (including the common elements of the Project), including any warranties or promises of "merchantability", "workmanlike construction" or "fitness for a particular use or purpose. The foregoing disclaimer does not apply to the Wailoa Gardens phase of the Project.

2. Appliances:

The Developer will assign to Buyers the unexpired term, if any, of any manufacturer's or dealer's warranties covering any fixtures or appliances in the apartment.

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

The Project other than the Wailoa Gardens Phase (Building 6) was originally constructed in the early 1970's, and was renovated in the 1980's and thereafter. Construction of 16 units within the Wailoa Gardens (Building 6) has begun and is expected to be completed within six months. Thereafter, the remaining 27 units will be constructed and will require approximately two years to complete. During such construction, use of other apartments within the Project may be subject to noise dust and other offensive aspects associated with the ongoing construction of the Wailoa Gardens phase of the Project.

H. **Project Phases:**

The developer has has not reserved the right to add to, merge, or phase this condominium. *

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

- * Developer has reserved rights (and has elected) to re-develop Building 6 as the Wailoa Gardens phase of the Project (see Exhibit "L" for further disclosure) and has the right to alter or modify the Wailoa Gardens phase in its sole discretion.

IV. CONDOMINIUM MANAGEMENT

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

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

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

- not affiliated with the Developer the Developer or the Developer's affiliate.
- self-managed by the Association of Apartment Owners Other: _____

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

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

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

Exhibit J-1 contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. **Utility Charges for Apartments:**

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

- None Electricity (Common Elements only Common Elements & Apartments)
- Gas (Common Elements only Common Elements & Apartments)
- Water Sewer Television Cable
- Other plumbing and water of the common elements

See attached Exhibit "J"

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

Notice to Owner Occupants

Specimen Sales Contract

Exhibit H contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated April 12, 2005

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

Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

- A) The Developer delivers to the buyer a copy of:
 - 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
 - 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
- B) The buyer is given an opportunity to read the report(s); **AND**
- C) One of the following has occurred:
 - 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

- A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**
- B) The buyer has not waived the right to rescind.

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

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

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's sales agent, if any. The Condominium Property Regime Law (Chapter 514A, HRS) and the Administrative Rules (Chapter 107), are available on line. Please refer to the following sites:

Website to access official copy of laws: www.capitol.hawaii.gov
 Website to access unofficial copy of laws: www.hawaii.gov/dcca/hrs
 Website to access rules: www.hawaii.gov/dcca/har

This Public Report is a part of Registration No. 1567 filed with the Real Estate Commission on September 2, 1983.

Reproduction of Report. When reproduced, this report must be on:

- YELLOW paper stock WHITE paper stock PINK paper stock

C. Additional Information Not Covered Above

1. See attached Disclosure Statement attached hereto as Exhibit "K" and Architect's Report (Exhibit D)
2. This Project was previously operated as a hotel, then converted to condominium ownership in 1984. However, none of the apartment units were sold. The Project was operated by the then owner as a rental project. Sales of Units at this time are subject to a number of important caveats and conditions. Building 6 of the Project was destroyed by fire. Developer has elected to replace the original Building 6 with 43 apartments within a new Building 6. Construction of the 43 apartment units, called the Wailoa Gardens phase, has not yet commenced and once begun, may be ongoing.
3. This Fourth Supplementary Public Report is intended to permit an offering of sale of all apartments in the Project other than the 43 apartments being built within Building 6, which are being treated as the "Wailoa Gardens" phase. The Wailoa Gardens phase will be offered by way of one or more separate Public Reports in the future.

PROSPECTIVE PURCHASERS ARE CAUTIONED TO CAREFULLY REVIEW THE DISCLOSURE STATEMENT AND ALL DOCUMENTS REGARDING THIS CONDOMINIUM PROJECT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SHL 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

WAIAKEA VILLAS, LLC
 Printed Name of Developer

By:  12/5 2005
 Duly Authorized Signatory* /Date

Simon Bebb, President of Hotels in Paradise, Inc., its Member
 Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Hawaii

Planning Department, County of Hawaii

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

EXHIBIT "A"

DEVELOPER'S RESERVED RIGHTS

The Developer (Declarant) has reserved the following rights to change the Declaration, Condominium Map, By-Laws or House Rules:

I. Paragraph 23 of the Declaration states:

"(a) **Amendments Generally.** Except as otherwise expressly provided herein or in the Act, this Declaration (and the Condominium Map) may be amended only by the affirmative vote or written consent of the Owners of Apartments in the Project to which are appurtenant seventy-five percent (75%) of the common interests, evidenced by an instrument in writing, signed and acknowledged by any two (2) officers of the Association, which amendment shall be effective upon filing in the Recording Offices; provided, however, that notwithstanding the foregoing provision, at any time prior to the first recording of a conveyance or transfer (other than for security) of an Apartment and its appurtenances to a party not a signatory hereto, the Developer may amend this Declaration (including all exhibits), the Bylaws and the Condominium Map in any manner, without the consent or joinder of any Apartment purchaser or any other party. Notwithstanding the lease, sale or conveyance of any of the Apartments, the Developer may amend this Declaration (and when applicable, any exhibits to this Declaration) and the Condominium Map to file the "as-built" verified statement required by Section 514A-12 of the Act (i) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans thereto filed fully and accurately depict the layout, location, Apartment numbers, and the dimensions of the Apartments as built, or (ii) so long as the plans filed therewith involve only minor changes to the layout, location, or dimensions of the Apartments as built or any change in the Apartment number.

(b) **Amendments Required by Law, Lenders, Title Insurers, Etc.** Any other provision of this Declaration notwithstanding, for so long as the Developer retains any interest in an Apartment in the Project, the Developer shall have the right (but not the obligation) to amend this Declaration and the Bylaws (and the Condominium Map, if appropriate) without the consent or joinder of any Apartment Owner, lienholder or other person,

(i) for the purpose of meeting any requirement imposed by (i) any applicable law, (ii) the Real Estate Commission of the State of Hawaii, (iii) any title insurance company issuing a title insurance policy on the Project or any of the Apartments, (iv) any institutional lender lending funds on the security of the Project or any of the Apartments, or (v) any other governmental or quasi-governmental agency including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the U.S. Department of Housing and Urban Development or the Veterans Administration; and

(ii) to amend this Declaration and the Condominium Map to make alterations in the Project, and which alterations (aa) change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any Apartment (and any limited common elements appurtenant thereto) which such Apartment has not been sold and filed in the Recording Offices; or (bb) make minor changes in any Apartment in the Project or in the common elements which do not affect the physical location, design or size of any Apartment which has been sold and filed in the Recording Offices; provided, however, that no amendment which would change the common interest appurtenant to an Apartment or substantially change the design, location or size of an Apartment shall be made without the consent of all persons having an interest in such Apartment. Each and every party acquiring an interest in the Project, by such acquisition, consents to the amendments described in this subparagraph 23(b) and agrees to execute and deliver such documents and instruments and do such other things as may be necessary or convenient to effect the same, and appoints the Developer and its assigns as his or her attorney-in-fact with full power of substitution to execute and deliver such documents and instruments and to do such things on his or her behalf, which grant of such power, being coupled with an interest, is irrevocable for the duration of such reserved rights, and shall not be affected by the disability of such party or parties.

(c) **Amendment by Developer Pursuant to Section 24.** Notwithstanding the foregoing and notwithstanding the filing in the Recording Offices of any or all apartment deeds or other conveyances conveying any or all of the Apartments or any or all interests therein to any person, the Developer hereby reserves the right to successively amend this Declaration (including the Bylaws and, when applicable, the Condominium Map), without the approval, consent or joinder of any owner, mortgagee or purchaser of an apartment or any interest therein or any

of the persons then owning, leasing, renting, or occupying any apartment or any interest therein, to effect the exercise of Developer's Reserved Rights under Section 24 of this Declaration.

II. Developer has the right to act on behalf of the Board of Directors until the first meeting of apartment owners, so Developer could amend the Bylaws and House Rules before then.

End of EXHIBIT "A"

EXHIBIT "B"

WAIAKEA VILLAS CONDOMINIUMS								
					Square Footage		Total	
		Unit No.	Unit Type	Type	Interior	Lanai	Sq. Ft.	% Interest
BUILDING 1								
1		1/101	1 Bedroom	F	575	90	665	0.41373%
2	s	1/102	Kitchen Studio	HC	380	90	470	0.29241%
3	s	1/103	Efficiency Studio	AA	380	90	470	0.29241%
4	s	1/104	Efficiency Studio	HC1	380	90	470	0.29241%
5	s	1/105	Kitchen Studio	A	380	90	470	0.29241%
6		1/106	1 Bedroom	G	575	90	665	0.41373%
7		1/201	1 Bedroom	B	510	90	600	0.37329%
8	s	1/202	Kitchen Studio	A	380	90	470	0.29241%
9	s	1/203	Efficiency Studio	AA	380	90	470	0.29241%
10	s	1/204	Efficiency Studio	AA	380	90	470	0.29241%
11	s	1/205	Kitchen Studio	A	380	90	470	0.29241%
12		1/206	1 Bedroom	G	575	90	665	0.41373%
13		1/301	1 Bedroom	G1	575	111	686	0.42680%
14	s	1/302	Kitchen Studio	A1	380	111	491	0.30548%
15	s	1/303	Efficiency Studio	AA1	380	111	491	0.30548%
16	s	1/304	Efficiency Studio	AA1	380	111	491	0.30548%
17	s	1/305	Kitchen Studio	A1	380	111	491	0.30548%
18		1/306	1 Bedroom	G1	575	111	686	0.42680%

WAIAKEA VILLAS CONDOMINIUMS								
				Square Footage		Total		
		Unit No.	Unit Type	Type	Interior	Lanai	Sq. Ft.	% Interest
BUILDING 2								
1		2/107 (RS)	1 Bedroom	F	575	90	665	0.41373%
2	s	2/108	Kitchen Studio	A	380	90	470	0.29241%
3	s	2/109	Efficiency Studio	AA	380	90	470	0.29241%
4	s	2/110	Efficiency Studio	AA	380	90	470	0.29241%
5	s	2/111	Kitchen Studio	A	380	90	470	0.29241%
6		2/112	1 Bedroom	G	575	90	665	0.41373%
7		2/207 (RS)	1 Bedroom	B	510	90	600	0.37329%
8	s	2/208	Kitchen Studio	A	380	90	470	0.29241%
9	s	2/209	Efficiency Studio	AA	380	90	470	0.29241%
10	s	2/210	Efficiency Studio	AA	380	90	470	0.29241%
11	s	2/211	Kitchen Studio	A	380	90	470	0.29241%
12		2/212	1 Bedroom	G	575	90	665	0.41373%
13		2/307 (RS)	1 Bedroom	G1	575	111	686	0.42680%
14	s	2/308	Kitchen Studio	A1	380	111	491	0.30548%
15	s	2/309 (std)	Efficiency Studio	AA1	380	111	491	0.30548%
16	s	2/310	Efficiency Studio	AA1	380	111	491	0.30548%
17	s	2/311	Kitchen Studio	A1	380	111	491	0.30548%
18		2/312	1 Bedroom	G1	575	111	686	0.42680%

WAIAKEA VILLAS CONDOMINIUMS								
				Square Footage		Total		
		Unit No.	Unit Type	Type	Interior	Lanai	Sq. Ft.	% Interest
BUILDING 3								
1	s	3/113	Kitchen Studio	A	380	90	470	0.29241%
2	s	3/114	Efficiency Studio	AA	380	90	470	0.29241%
3		3/115	Kitchen Studio	A	380	90	470	0.29241%
4		3/116	1 Bedroom	G	575	90	665	0.41373%
5		3/117	Kitchen Studio	A	380	90	470	0.29241%
6		3/118	Kitchen Studio	A	380	90	470	0.29241%
7	s	3/119	Efficiency Studio	AA	380	90	470	0.29241%
8		3/120	1 Bedroom	B	510	90	600	0.37329%
9	s	3/121	Kitchen Studio	A	380	90	470	0.29241%
10	s	3/213	1 Bedroom	G	575	90	665	0.41373%
11	s	3/214	Efficiency Studio	AA	380	90	470	0.29241%
12		3/215	Kitchen Studio	A	380	90	470	0.29241%
13		3/216	1 Bedroom	G1	575	111	686	0.42680%
14		3/217	Kitchen Studio	A	380	90	470	0.29241%
15		3/218	Kitchen Studio	A1	380	111	491	0.30548%
16	s	3/219	Efficiency Studio	AA	380	90	470	0.29241%
17		3/220	1 Bedroom	F1	575	111	686	0.42680%
18	s	3/221	Kitchen Studio	A	380	90	470	0.29241%
19	s	3/313	1 Bedroom	G1	575	111	686	0.42680%
20	s	3/314	Efficiency Studio	AA1	380	111	491	0.30548%
21		3/315	Kitchen Studio	A1	380	111	491	0.30548%
22		3/317	Kitchen Studio	A1	380	111	491	0.30548%
23	s	3/319	Efficiency Studio	AA1	380	111	491	0.30548%
24	s	3/321	Kitchen Studio	A1	380	111	491	0.30548%

WAIAKEA VILLAS CONDOMINIUMS								
					Square Footage		Total	
		Unit No.	Unit Type	Type	Interior	Lanai	Sq. Ft.	% Interest
BUILDING 4								
1	s	4/122	Kitchen Studio	A	380	90	470	0.29241%
2	s	4/123	Efficiency Studio	AA	380	90	470	0.29241%
3		4/124	Kitchen Studio	A	380	90	470	0.29241%
4		4/125	Kitchen Studio	A	380	90	470	0.29241%
5	s	4/126	Efficiency Studio	AA	380	90	470	0.29241%
6	s	4/127	Efficiency Studio	AA	380	90	470	0.29241%
7	s	4/128	Kitchen Studio	A	380	90	470	0.29241%
8	s	4/129	Kitchen Studio	A	380	90	470	0.29241%
9		4/130	1 Bedroom	H	631	90	721	0.44857%
10		4/131	Kitchen Studio	A	380	90	470	0.29241%
11	s	4/132	Efficiency Studio	AA	380	90	470	0.29241%
12	s	4/133	Kitchen Studio	A	380	90	470	0.29241%
13	s	4/222	Kitchen Studio	A	380	90	470	0.29241%
14	s	4/223	Efficiency Studio	AA	380	90	470	0.29241%
15		4/224	Kitchen Studio	A	380	90	470	0.29241%
16		4/225	Kitchen Studio	A	380	90	470	0.29241%
17	s	4/226	1 Bedroom	J1	519	111	630	0.39196%
18	s	4/227	Efficiency Studio	AA	380	90	470	0.29241%
19	s	4/228	Kitchen Studio	A1	380	111	491	0.30548%
20	s	4/229	Kitchen Studio	A	380	90	470	0.29241%
21		4/230	1 Bedroom	H1	631	111	742	0.46164%
22		4/231	Kitchen Studio	A	380	90	470	0.29241%
23	s	4/232	Efficiency Studio	AA	380	90	470	0.29241%
24	s	4/233	Kitchen Studio	A	380	90	470	0.29241%
25	s	4/322	Kitchen Studio	A1	380	111	491	0.30548%
26	s	4/323	Efficiency Studio	AA1	380	111	491	0.30548%
27		4/324	Kitchen Studio	A1	380	111	491	0.30548%
28		4/325	Kitchen Studio	A1	380	111	491	0.30548%
29	s	4/327 (std)	Efficiency Studio	AA1	380	111	491	0.30548%
30	s	4/329	Kitchen Studio	A1	380	111	491	0.30548%
31		4/331	Kitchen Studio	A1	380	111	491	0.30548%
32	s	4/332	Efficiency Studio	AA1	380	111	491	0.30548%
33	s	4/333	Kitchen Studio	A1	380	111	491	0.30548%

WAIAKEA VILLAS CONDOMINIUMS									
					Square Footage		Total		
Unit No.			Unit Type	Type	Interior	Lanai	Sq. Ft.	% Interest	
BUILDING 5									
1	s	5/134	Kitchen Studio	A	380	90	470	0.29241%	
2	s	5/135	Efficiency Studio	AA	380	90	470	0.29241%	
3	s	5/136	Kitchen Studio	A	380	90	470	0.29241%	
4	s	5/137	Efficiency Studio	AA	380	90	470	0.29241%	
5		5/138	Kitchen Studio	A	380	90	470	0.29241%	
6	s	5/139	Efficiency Studio	AA	380	90	470	0.29241%	
7		5/140	1 Bedroom	BB	510	90	600	0.37329%	
8	s	5/141	Kitchen Studio	A	380	90	470	0.29241%	
9	s	5/142	Efficiency Studio	AA	380	90	470	0.29241%	
10	s	5/143	Efficiency Studio	AA	380	90	470	0.29241%	
11	s	5/144	Kitchen Studio	A	380	90	470	0.29241%	
12	s	5/145	Kitchen Studio	A	380	90	470	0.29241%	
13		5/146	1 Bedroom	F	575	90	665	0.41373%	
14		5/147	1 Bedroom	GC	603	90	693	0.43115%	
15	s	5/234	Kitchen Studio	A	380	90	470	0.29241%	
16	s	5/235	Efficiency Studio	AA	380	90	470	0.29241%	
17	s	5/236	Kitchen Studio	A	380	90	470	0.29241%	
18	s	5/237	Efficiency Studio	AA	380	90	470	0.29241%	
19		5/238	Kitchen Studio	A	380	90	470	0.29241%	
20	s	5/239	Efficiency Studio	AA	380	90	470	0.29241%	
21		5/240	1 Bedroom	GBB	575	90	665	0.41373%	
22	s	5/241	Kitchen Studio	A	380	90	470	0.29241%	
23	s	5/242	Efficiency Studio	AA	380	90	470	0.29241%	
24	s	5/243	Efficiency Studio	AA	380	90	470	0.29241%	
25	s	5/244	Kitchen Studio	A	380	90	470	0.29241%	
26	s	5/245	Kitchen Studio	A	380	90	470	0.29241%	
27		5/246	1 Bedroom	F	575	90	665	0.41373%	
28		5/247	Split Level Suite	D	937	201	1,138	0.70804%	
29	s	5/334	Kitchen Studio	A1	380	111	491	0.30548%	
30	s	5/335	Efficiency Studio	AA1	380	111	491	0.30548%	
31	s	5/336	Kitchen Studio	A1	380	111	491	0.30548%	
32	s	5/337	Efficiency Studio	AA1	380	111	491	0.30548%	
33		5/338	Kitchen Studio	A1	380	111	491	0.30548%	
34	s	5/339	Efficiency Studio	AA1	380	111	491	0.30548%	
35		5/340	1 Bedroom	GBB1	575	111	686	0.42680%	
36	s	5/341	Kitchen Studio	A1	380	111	491	0.30548%	
37	s	5/342	Efficiency Studio	AA1	380	111	491	0.30548%	
38	s	5/343	Efficiency Studio	AA1	380	111	491	0.30548%	
39	s	5/344	Kitchen Studio	A1	380	111	491	0.30548%	
40	s	5/345	Kitchen Studio	A1	380	111	491	0.30548%	
41		5/346	1 Bedroom	F1	575	111	686	0.42680%	

WAIAKEA VILLAS CONDOMINIUMS

		Unit No.	Unit Type	Type	Square Footage		Total	% Interest
					Interior	Lanai	Sq. Ft.	
BUILDING 6								
1		6/101	Studio	K	356	84	440	0.27375%
2		6/102	Studio	K	356	84	440	0.27375%
3		6/103	Studio	K	356	84	440	0.27375%
4		6/104	Studio	K	356	84	440	0.27375%
5		6/105	1 Bedroom	L1	481	84	565	0.35152%
6		6/106	1 Bedroom	LL	544	84	628	0.39071%
7		6/107	Studio	K	356	84	440	0.27375%
8		6/108	Studio	K	356	84	440	0.27375%
9		6/109	Studio	K	356	84	440	0.27375%
10		6/201	1 Bedroom	L	549	84	633	0.39382%
11		6/202	Studio	K	356	84	440	0.27375%
12		6/203	Studio	K	356	84	440	0.27375%
13		6/204	Studio	K	356	84	440	0.27375%
14		6/205	Studio	K	356	84	440	0.27375%
15		6/206	Studio	K	356	84	440	0.27375%
16		6/207	Studio	K	356	84	440	0.27375%
17		6/208	Studio	K	356	84	440	0.27375%
18		6/209	1 Bedroom	L	549	84	633	0.39382%
19		6/210	1 Bedroom	LL	544	84	628	0.39071%
20		6/211	Studio	K	356	84	440	0.27375%
21		6/212	Studio	K	356	84	440	0.27375%
22		6/213	Studio	K	356	84	440	0.27375%
23		6/214	Studio	K	356	84	440	0.27375%
24		6/215	Studio	K	356	84	440	0.27375%
25		6/216	Studio	K	356	84	440	0.27375%
26		6/217	1 Bedroom	LL1	493	84	577	0.35898%
27		6/301	1 Bedroom	M	549	107	656	0.40813%
28		6/302	Studio	KK	356	107	463	0.28806%
29		6/303	Studio	KK	356	107	463	0.28806%
30		6/304	Studio	KK	356	107	463	0.28806%
31		6/305	Studio	KK	356	107	463	0.28806%
32		6/306	Studio	KK	356	107	463	0.28806%
33		6/307	Studio	KK	356	107	463	0.28806%
34		6/308	Studio	KK	356	107	463	0.28806%
35		6/309	1 Bedroom	M	549	107	656	0.40813%
36		6/310	1 Bedroom	M1	544	107	651	0.40502%
37		6/311	Studio	KK	356	107	463	0.28806%
38		6/312	Studio	KK	356	107	463	0.28806%
39		6/313	Studio	KK	356	107	463	0.28806%
40		6/314	Studio	KK	356	107	463	0.28806%
41		6/315	Studio	KK	356	107	463	0.28806%
42		6/316	Studio	KK	356	107	463	0.28806%
43		6/317	1 Bedroom	MM	561	107	668	0.41560%

WAIAKEA VILLAS CONDOMINIUMS								
					Square Footage		Total	
		Unit No.	Unit Type	Type	Interior	Lanai	Sq. Ft.	% Interest
BUILDING 7								
1		7/166	1 Bedroom	C	603	90	693	0.43115%
2		7/167	1 Bedroom	G	575	90	665	0.41373%
3		7/168	Kitchen Studio	A	380	90	470	0.29241%
4	s	7/169	Kitchen Studio	A	380	90	470	0.29241%
5		7/170	1 Bedroom	G	575	90	665	0.41373%
6	s	7/171	Efficiency Studio	AA	380	90	470	0.29241%
7	s	7/172	Efficiency Studio	AA	380	90	470	0.29241%
8	s	7/173	Kitchen Studio	A	380	90	470	0.29241%
9		7/174	1 Bedroom	G	575	90	665	0.41373%
10		7/266	1 Bedroom	FC1	575	111	686	0.42680%
11		7/267	1 Bedroom	G	575	90	665	0.41373%
12		7/268	Kitchen Studio	A1	380	111	491	0.30548%
13	s	7/269	Kitchen Studio	A	380	90	470	0.29241%
14		7/270	1 Bedroom	G1	575	111	686	0.42680%
15	s	7/271	Efficiency Studio	AA	380	90	470	0.29241%
16	s	7/272	Efficiency Studio	AA	380	90	470	0.29241%
17	s	7/273	Kitchen Studio	A	380	90	470	0.29241%
18		7/274	1 Bedroom	G	575	90	665	0.41373%
19		7/367	1 Bedroom	G1	575	111	686	0.42680%
20	s	7/369	Kitchen Studio	A1	380	111	491	0.30548%
21	s	7/371	Efficiency Studio	AA1	380	111	491	0.30548%
22	s	7/372	Efficiency Studio	AA1	380	111	491	0.30548%
23	s	7/373	Kitchen Studio	A1	380	111	491	0.30548%
24		7/374	1 Bedroom	G1	575	111	686	0.42680%

WAIAKEA VILLAS CONDOMINIUMS								
		Unit No.	Unit Type	Type	Square Footage		Total	% Interest
					Interior	Lanai	Sq. Ft.	
BUILDING 8								
1		8/175	Large Studio	ICF	603	90	693	0.43115%
2		8/177	Kitchen Studio	A	380	90	470	0.29241%
3	s	8/179	Kitchen Studio	A	380	90	470	0.29241%
4	s	8/181 (std)	Efficiency Studio	AA	380	90	470	0.29241%
5	s	8/183	Efficiency Studio	AA	380	90	470	0.29241%
6	s	8/185	Kitchen Studio	A	380	90	470	0.29241%
7		8/187	Kitchen Studio	A	380	90	470	0.29241%
8		8/189	Large Studio	IBG	575	90	665	0.41373%
9		8/275	Split Level Suite	D1	937	201	1,138	0.70801%
10		8/276	1 Bedroom	B	510	90	600	0.37329%
11		8/277	Kitchen Studio	A	380	90	470	0.29241%
12		8/278	Kitchen Studio	A	380	90	470	0.29241%
13	s	8/279	Kitchen Studio	A	380	90	470	0.29241%
14	s	8/280	Kitchen Studio	A	380	90	470	0.29241%
15	s	8/281 (std)	Efficiency Studio	AA	380	90	470	0.29241%
16	s	8/282 (std)	Efficiency Studio	AA	380	90	470	0.29241%
17	s	8/283	Efficiency Studio	AA	380	90	470	0.29241%
18		8/284	Kitchen Studio	A	380	90	470	0.29241%
19	s	8/285	Kitchen Studio	A	380	90	470	0.29241%
20	s	8/286 (std)	Efficiency Studio	AA	380	90	470	0.29241%
21		8/287	Kitchen Studio	A	380	90	470	0.29241%
22	s	8/288	Kitchen Studio	A	380	90	470	0.29241%
23		8/289	1 Bedroom	G	575	90	665	0.41373%
24		8/376	1 Bedroom	F1	575	111	686	0.42680%
25		8/377	Kitchen Studio	A1	380	111	491	0.30548%
26		8/378	Kitchen Studio	A1	380	111	491	0.30548%
27	s	8/379	Kitchen Studio	A1	380	111	491	0.30548%
28	s	8/380	Kitchen Studio	A1	380	111	491	0.30548%
29	s	8/381	Efficiency Studio	AA1	380	111	491	0.30548%
30	s	8/382	Efficiency Studio	AA1	380	111	491	0.30548%
31	s	8/383	Efficiency Studio	AA1	380	111	491	0.30548%
32		8/384	Kitchen Studio	A1	380	111	491	0.30548%
33	s	8/385	Kitchen Studio	A1	380	111	491	0.30548%
34	s	8/386 (std)	Efficiency Studio	AA1	380	111	491	0.30548%
35		8/387	Kitchen Studio	A1	380	111	491	0.30548%
36	s	8/388	Kitchen Studio	A1	380	111	491	0.30548%
37		8/389	1 Bedroom	G1	575	111	686	0.42680%

WAIAKEA VILLAS CONDOMINIUMS								
				Square Footage		Total		
		Unit No.	Unit Type	Type	Interior	Lanai	Sq. Ft.	% Interest
BUILDING 9								
1	s	9/2100 (std)	Efficiency Studio	AA	380	90	470	0.29241%
2	s	9/2101 (std)	Efficiency Studio	AA	380	90	470	0.29241%
3	s	9/2102	Kitchen Studio	A	380	90	470	0.29241%
4	s	9/2103	Kitchen Studio	A	380	90	470	0.29241%
5	s	9/2104 (std)	Efficiency Studio	AA	380	90	470	0.29241%
6		9/2105	Kitchen Studio	A	380	90	470	0.29241%
7	s	9/2106	Kitchen Studio	A	380	90	470	0.29241%
8		9/2107	1 Bedroom	BB	510	90	600	0.37329%
9		9/291	1 Bedroom	G	575	90	665	0.41373%
10		9/292	1 Bedroom	B	510	90	600	0.37329%
11		9/293	Kitchen Studio	A	380	90	470	0.29241%
12	s	9/294	Kitchen Studio	A	380	90	470	0.29241%
13	s	9/295	Kitchen Studio	A	380	90	470	0.29241%
14	s	9/296	Efficiency Studio	AA	380	90	470	0.29241%
15	s	9/297	Efficiency Studio	AA	380	90	470	0.29241%
16	s	9/3100 (std)	Efficiency Studio	AA	380	90	470	0.29241%
17	s	9/3101 (std)	Efficiency Studio	AA1	380	111	491	0.30548%
18	s	9/3102	Kitchen Studio	A	380	90	470	0.29241%
19	s	9/3103	Kitchen Studio	A1	380	111	491	0.30548%
20	s	9/3104 (std)	Efficiency Studio	AA	380	90	470	0.29241%
21		9/3105	Kitchen Studio	A1	380	111	491	0.30548%
22	s	9/3106	Kitchen Studio	A	380	90	470	0.29241%
23		9/3107	1 Bedroom	FBB1	575	111	686	0.42680%
24		9/391	1 Bedroom	G1	575	111	686	0.42680%
25		9/392	1 Bedroom	G	575	90	665	0.41373%
26	s	9/393	Kitchen Studio	A1	380	111	491	0.30548%
27	s	9/394	Kitchen Studio	A	380	90	470	0.29241%
28	s	9/395 (std)	Efficiency Studio	AA1	380	111	491	0.30548%
29	s	9/396 (std)	Efficiency Studio	AA	380	90	470	0.29241%
30	s	9/397	Kitchen Studio	A1	380	111	491	0.30548%
31	s	9/399 (std)	Efficiency Studio	AA1	380	111	491	0.30548%
32	s	9/4100 (std)	Efficiency Studio	AA1	380	111	491	0.30548%
33	s	9/4102	Kitchen Studio	A1	380	111	491	0.30548%
34	s	9/4104 (std)	Efficiency Studio	AA1	380	111	491	0.30548%
35	s	9/4106	Kitchen Studio	A1	380	111	491	0.30548%
36		9/492	1 Bedroom	G1	575	111	686	0.42680%
37	s	9/494	Kitchen Studio	A1	380	111	491	0.30548%
38	s	9/496	Efficiency Studio	AA1	380	111	491	0.30548%

WAIAKEA VILLAS CONDOMINIUMS							
	Unit No.	Unit Type	Type	Square Footage		Total	% Interest
				Interior	Lanai	Sq. Ft.	
COMMERCIAL SPACES AREAS							
		<u>Building 9</u>					
1	9/191A					626	0.38947%
2	9/191B					1745	1.08566%
3	9/193A					1526	0.94941%
4	9/193B					548	0.34094%
		Sub-total				4445	
		<u>Building 10</u>					
5	10/194					1172	0.72916%
6	10/195					1259	0.78329%
7	10/196					1760	1.09499%
		Sub-total				4191	
		Total Commercial Area				8636	
		Total Residential S.F.				152,096	94.62708%
		Total Commercial Area S.F.				8,636	5.37292%
		Grand Total				160,732	100.00000%
							No. of Units
		Building 1				18	
		Building 2				18	
		Building 3				24	
		Building 4				33	
		Building 5				41	
		Building 6				43	
		Building 7				24	
		Building 8				37	
		Building 9				38	
		Building 10				18	
		Commercial				7	
						301	

EXHIBIT "C"

PERMITTED ALTERATIONS TO APARTMENTS.

Generally: Except as otherwise provided in subparagraphs (b) or (c) of Section 21, Section 24 or otherwise in the Declaration, any repair, replacement or restoration of the Project or of any building, swimming pool, spa, pool building or other facility or construction of any additional building or structural alteration (including the enclosure of a lanai) or addition to any structure, different in any material respect from said Condominium Map of the Project, shall be undertaken by the Association or any Apartment Owners only pursuant to an amendment of this Declaration, duly executed by or pursuant to the affirmative vote of seventy-five percent (75%) of the Apartment Owners and consented to in writing by the holders of all liens affecting any of the Apartments, and in accordance with complete plans and specifications therefor first approved in writing by the Board of Directors, and promptly upon completion of such replacement, restoration or construction, the Association shall record such amendment, together with a complete set of floor plans of the Project as so altered, certified as built by a registered architect or professional engineer.

The Bylaws provide the following (Section 8.3 thereof):

(a) Subject to the provisions of the Declaration and the Act, and except as otherwise provided herein, no Owner of an Apartment shall, without the prior written approval of the Board, make any structural alterations in or additions to his Apartment or make any alterations in or additions to the exterior of his Apartment (including painting, awnings, jalousies and screens) or to the common elements.

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

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

(d) No Apartment Owner shall, without the prior written approval of the Board, make any structural modifications, changes, additions or alterations to the Apartment's lanai(s) or add any awnings, screens, sunscreens, louvers or enclosures of any kind, exhaust vents, wind baffles, or drain.

(e) It is intended that the exterior of the Project present a uniform appearance. To effect that end, all interior window coverings (including curtains, drapes and screens of any kind) visible from outside of the Apartment shall include a backing of a type, color and appearance approved by the Board. In addition, Owners may not, without the prior written approval of the Board:

(i) apply any substance, material or process to the exterior or interior surfaces of the Apartment's windows which may alter the exterior color, appearance or reflectivity of the windows; or

(ii) paint or repaint perimeter doors, door frames, window frames, window sills or any part of the Apartment or limited common elements appurtenant to the Apartment that is visible from outside the Apartment except in a color and with a paint type approved in writing by the Board.

The House Rules may also restrict in alterations to Apartments. For example, no air conditioners (other than those in apartments as of date of purchase) will be permitted; no stoves or ovens (other than microwave ovens) will be permitted in those apartments which do not have stoves or ovens as of the date of purchase.

EXHIBIT "D"

ARCHITECT'S REPORT



Stanley E. Panko
AIA, NCARB
Principal

EXHIBIT "D"

Architecture
Planning
Interior Design

September 12, 2003

Real Estate Commission
State of Hawaii

Re: Waiakea Villas Condominium Project
Structural, Electrical, Mechanical, & Plumbing Conditions

Commission Members:

Panko Architects has reviewed the Waiakea Villas Condominium buildings located at 400 Hualani Avenue, Hilo, 96720 (TMK (3)2-2-30:03) as to its Structural, Electrical, Mechanical, & Plumbing Conditions. The following is a report of those observations.

1. Structural: The Buildings are constructed with concrete ground-floor slabs, concrete strip footings and concrete pads to support the upper floor structure. The upper floors are constructed of wood 2x4 & 2x6 studs, 6x6 posts, beams and joists. Concrete columns are used at the first floor of the three story structures. Interior finishes are Gypsum board and Exterior finishes are T-111 plywood. Upper floors are concrete over plywood and wood joists and beams.

Observations/Comments: The buildings appear to be very well constructed in 1971 and 1972. There is no evidence of movement or deflection that would indicate settlement. There are indications that there has been termite damage, especially to Building #7 that has reportedly been repaired. Due to poor maintenance, there has been numerous roof leaks as indicated by damaged ceilings under balconies and soffits. There may be termite damage or wood rot in those areas that may or may not have been repaired.

2. Electrical: The electrical system was designed and constructed for hotel use. There are several transformers that provide electrical power to all buildings. Many of the hotel units were converted to residential apartments in 1983 and the remainder were converted a few years ago. Kitchens were installed in some units and limited kitchens (no ovens or refrigerators) were installed in others (efficiency units).

Observations/Comments: The transformers, electrical distribution system and lightning appear to be in good working order, however these systems may be maximized or possibly overloaded due to the

previous installation of full kitchens and efficiency kitchens. There may not be sufficient electrical capacity to operate all appliances within any unit at one time or to add additional electrical appliances or fixtures. At time of observation, the units were not individually metered.

3. Mechanical: The buildings were designed and constructed with a central cooling tower (chilled water) system. Thermostats were installed to provide off-on switches for the A/C duct or to recalculate room air.

Observations/Comments: The central air conditioning was shut down over seven years ago for financial reasons. Parts of the system were removed and were not available for observation.

4. Ventilation: The air in all bathrooms is exhausted, via a central exhaust fan mounted in the attic, to the exterior.

Observations/Comments: This common centralized exhaust system has been in operation since the building was constructed and has served the project adequately and satisfactorily since 1971. The exhaust fan mounted in the attic was not accessible for observation.

5. Plumbing: The common plumbing system consists of 2 ½" or 3" incoming water service, sanitary sewer, soil, waste, and vent systems. Central water heaters are provided for each building and supply numerous units within a designated area.

Observations/Comments: The hot and cold water distribution system appears to be in good condition, but will require maintenance. Water heaters occasionally need to be replaced. The accessories and fixtures will require routine maintenance.

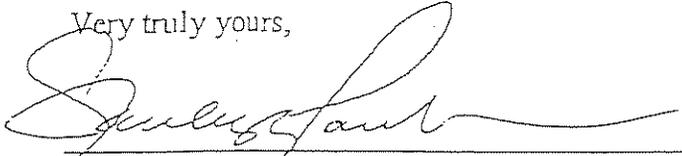
My review was limited and did not include by way of example the condition of the soils or roofing or evidence of termite or other pests on the Project.

I have been informed that the Developer would be disclaiming any warranties relating to the construction, materials, design or workmanship of the Units, soils or the common elements of the Project, except that the Developer will be transferring the appliances and the electrical and plumbing fixtures in normal working condition consistent with their age. Accordingly my visual review should not be a substitute for a more complete inspection by a prospective Buyer of a Unit in the Project. A prospective Buyer is urged

Real Estate Commission
Waiakea Villas Condominium Project
Structural, Electrical, Mechanical, & Plumbing Conditions
September 12, 2003
Page 3

to understand the importance of making his own investigation or having an investigation made by trained professionals of the Unit and the Project.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Stanley E. Panko", written over a horizontal line.

STANLEY E. PANKO

Licensed Professional Hawaii Architect No. AR7097



EXHIBIT "D"

Stanley E. Panko
AIA, NCARB
Principal

Architecture
Planning
Interior Design

September 12, 2003

Real Estate Commission
State of Hawaii

Re: Waiakea Villas Condominium Project
Zoning & Building Codes and Americans with Disabilities Act (ADA)

Commission Members:

Panko Architects has reviewed the Waiakea Villas Condominium project located at 400 Hualani Avenue, Hilo, 96720 (TMK (3)2-2-30:03) as to compliance with existing zoning and building codes for the County of Hawaii at the time of construction in 1971-1972, and as to compliance with the Americans with Disabilities Act (ADA).

1. Zoning: Zoning is for Resort Hotel (V-S-0.75) and General Commercial District (CG-7.5) within a Special Management Area (SMA). A Condominium map for individual ownership was approved in 1983. Residential condominium apartments are allowed in buildings 1 thru 10 and commercial, retail and senior housing uses are allowed in buildings 9 & 10. The project is in compliance with this zoning.
2. Building Codes: All buildings appear to be in compliance with the County of Hawaii building codes and regulations at time of construction in 1972. Since the project was built, many sections of the building, electrical, plumbing, mechanical and fire protection codes have changed. Current codes may require additional fire resistive construction, fire sprinkler systems and additional earthquake and hurricane strengthening. The buildings and individual units are considered legal-nonconforming and are not required to be upgraded to current codes. If the building is substantially removed or destroyed, the building must be designed and constructed to meet the current code. All building remodeling must meet current codes.
3. ADA accessibility & Fair Housing Act: Buildings including tenant improvements constructed and occupied after January 26, 1992 are required to comply fully with the American with Disabilities Act Accessibility Guide Lines (ADAAG). Commercial and retail facilities constructed prior to this date may be required to comply if these facilities are areas of public accommodation. The site, the parking, the exterior route of travel to the commercial areas, public toilet rooms and other common areas must comply.

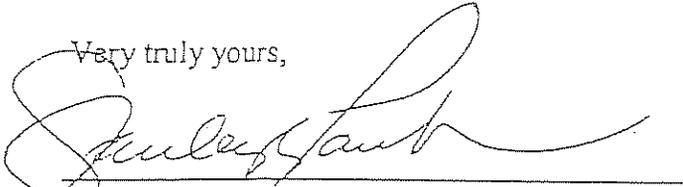
311 Seventh Avenue
San Mateo, CA 94401
Phone 650.558.0100
Fax 650.558.0113

The residential hotel, condominium apartments and rental units constructed prior to January 26, 1992 are not required to comply with ADAAG. Accessibility and accessible route of travel to rental and sales offices must comply.

The facility generally appears to be accessible as stated within the defined priorities of Title III of the Americans with Disabilities Act, with a few exceptions. The parking may need to be modified to be in compliance for the commercial areas and the residential rental/sales office. The accessible path of travel to the sales office and model units may also need upgrading.

Only a representative sample of areas were observed and actual measurements were not taken. A full ADA Compliance Survey may reveal additional aspects of the property that are not in compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stanley E. Panko", written over a horizontal line.

STANLEY E. PANKO

Licensed Professional Hawaii Architect No. AR7097

EXHIBIT "E"

COMMON ELEMENTS. Paragraph 5 of the Declaration designates certain portions of the Project as "common elements", including specifically but not limited to:

One freehold estate is hereby designated in all of the portions of the Project not included within the definition of an Apartment (herein called the "common elements"), including specifically, but not limited to the following:

- (a) The Land in fee simple, including all rights and easements, which may be subject to the rights of others entitled to their use, reserving to the Developer, however, all rights to the water located beneath the Land;
- (b) All foundations, columns, girders, beams, supports, perimeter walls, load-bearing walls, roofs, exterior stairs and stairways, breezeways, landings, pumps, ducts, pipes, wires, conduits, or other utility or service lines located outside of the Apartments, and generally all equipment, apparatus, installations and personal property existing for common use in any of the buildings or located on the Land;
- (c) All stairways, dumb waiters, corridors, lobby areas, ramps, entrances, entries and exits of all buildings of the Project, and all storage areas, laundry areas, or trash container rooms not located within an Apartment;
- (d) All driveways and other common ways, all parking and loading spaces,, all gates and kiosks or gatehouses (if any) at the entryway to the Project, all storage areas not located within an Apartment, all landscaping, courtyards, fences, gates, retaining walls, mailboxes, trash areas, maintenance structures and facilities and accessory equipment areas, including electrical and mechanical rooms or facilities located on the Land or within any of the buildings and serving more than one Apartment;
- (e) All fences (if any), trellises, and mail boxes;
- (f) All yards, grounds, planting areas, planters, walkways, walkway railings, landscaping, waterscape areas, pond areas and gardens, recreation decks, the swimming pool, and all toilet and restroom facilities and recreational facilities and appurtenances not located within an Apartment;
- (g) All ducts, vents, shafts, utility lines, conduits, sewage treatment and refuse equipment and facilities (if any), mechanical equipment, electrical equipment, telephone equipment, pipes, tanks, pumps, motors, fans, compressors, wiring 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, gas (if any), temperature control, fire safety, sanitary waste, cablevision (if any), sewer, refuse, telephone, and radio and television signal distribution, and any rooms or other enclosures in which such foregoing facilities are housed; and
- (h) Any and all other apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance or safety, or normally in common use.
- (i) Elevator located in Building 6, including without limitation, all ducts, vents, shafts, and any mechanical equipment, electrical equipment, motors, fans, wiring and other appurtenant transmission facilities and installations used in connection with the elevator in Building 6.

EXHIBIT "F"

LIMITED COMMON ELEMENTS. Paragraph 6 of the Declaration designates:

Certain parts of the common elements, herein called the "Limited Common Elements", are hereby designated and set aside for the exclusive use of certain of the Apartments, and each Apartment shall have appurtenant thereto exclusive easements for the use of all such limited common elements set aside and reserved for such Apartment's exclusive use. Unless otherwise specified, all costs of every kind pertaining to each limited common element, including, but not limited to, costs of landscaping, maintenance, repair, replacement and improvement, shall be borne by the owner of the Apartment to which it is appurtenant.

(a) The limited common element so set aside and reserved for the exclusive use of Apartment 5-257 consists of (i) Building "12," together with all improvements and personal property located therein, including replacements therefor; (ii) the site on which Building "12" is located, consisting of the land area beneath and immediately adjacent to and surrounding Building "12"(including the airspace above such site); and the (iii) rights to the wells and water located under the Land, and the reasonable access across the Land to enter into Building "12".

(b) Each Apartment shall have appurtenant thereto and reserved for its exclusive use one or more mailboxes located in the Project, such mailboxes to be allocated among the Apartments from time to time in the discretion of the Board.

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

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

EXHIBIT "G"

ENCUMBRANCES AGAINST TITLE

1. For Real Property Taxes that may be due and owing, reference is made to the Office of the Tax Assessor, County of Hawaii.

2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

3. AS TO PARCEL FIRST:

A. Easement(s) "1" (16 feet wide), for utility purposes, as shown on Map 6 and 10, as set forth by Land Court Order No. 34243, filed December 3, 1971.

B. Easement(s) "5", for purposes, as shown on Map 8 and 10, as set forth by Land Court Order No. 43091, filed October 22, 1975.

C. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document;

In favor of: HT&T Federal Credit Union, Federal Charter No. 5628
Purpose: easement over said Easement "5"
Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 757868, dated January 19, 1976.
Affects: land herein described

D. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document;

In favor of: Hawaiiana Investment Co., Inc.
Purpose: roadway purposes over said Easement "5"
Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 1194688, and also recorded in the Bureau of Conveyances of the State of Hawaii in Book 17358 at Page 456.
Affects: land herein described

The foregoing instrument was amended by the following:

Amendment

Dated: July 23, 1997
Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2393870.

- E. Easement(s) "8", for vehicular parking and access purposes, as shown on Map 11, as set forth by Land Court Order No. 68716, filed February 8, 1984.
- F. Easement(s) "9", for vehicular parking and access purposes, as shown on Map 11, as set forth by Land Court Order No. 68716, filed February 8, 1984.
- G. Grant in favor of Lot 4-A-2-A-1 of a perpetual and non-exclusive easement for vehicular parking and access purposes over said Easements "8" and "9", as set forth by Land Court Order No. 68716, filed February 8, 1984.
- H. Easement(s) "10", for roadway and utility purposes, as shown on Map 12, as set forth by Land Court Order No. 69526, filed April 23, 1984.

I. Easement Grant dated November 23, 1977, filed as Land Court Document No. 851809, recorded in Book 12626 at Page 718, granting a mutual nonexclusive easement for the use of such parking spaces as may from time to time exist in the respective parking areas, for the purposes of parking motor vehicle and ingress to and egress from said parking areas, over such roadways as now exist or may in the future be built with the consent of the parties, by motor vehicles and pedestrians.

Said easement was assigned to HSC, Inc., a Hawaii corporation, by instrument dated August 16, 1988, filed as Land Court Document No. 1584237.

J. Maintenance Agreement

Dated: July 23, 1997
 Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2394155.
 Re: Easement 8 and Easement 9

K. Maintenance Agreement

Dated: July 23, 1997
 Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2394156.
 Re: Easement 5

4. AS TO PARCEL SECOND:

A. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document;

In favor of: Hawaiiiana Investment Co., Inc.
 Purpose: access for ingress and egress from cooling tower through the Hotel Property
 Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 851812, and also recorded in the Bureau of Conveyances of the State of Hawaii in Book 12626 at Page 786.
 Affects: land herein described

Grantee's interest in said Easement Grant was assigned to HSC, Inc., a Hawaii corporation, by instrument dated August 16, 1988, filed as Land Court Document No. 1584237.

B. Agreement

Dated: September 23, 1983
Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 1203592, and also recorded in the Bureau of Conveyances of the State of Hawaii in Book 17467 at Page 51.

5. Condominium Map No. 514, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.

6. Condominium Map No. 905, recorded in the Bureau of Conveyances of the State of Hawaii.

7. Covenants, conditions, and restrictions (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as contained in the following:

Declaration of Condominium Property Regime of "WAIAKEA VILLAS"

Dated: April 16, 1984
Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 1236533, and also recorded in the Bureau of Conveyances of the State of Hawaii in Book 17881 at Page 438.

The foregoing Declaration was amended by the following:

Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 1263357, and also recorded in the Bureau of Conveyances of the State of Hawaii in Book 18215 at Page 742.

Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3005582, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2003-216436.

Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3026734, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2003-249502.

Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3156594, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-174543.

Recorded: May 10, 2005, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3265972, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-092429.

8. By-Laws of the Association of Apartment Owners of "WAIAKEA VILLAS", dated April 20, 1984, recorded in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 1236534, and also recorded in the Bureau of Conveyances of the State of Hawaii in Book 17881 at Page 472.

The foregoing By-Laws was amended by the following:

Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3005582, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2003-216436.

Recorded: in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3156595, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-174544.

9. Terms and provisions as contained in Grant of Easement No. S-4553, dated May 6, 1977 and recorded in the Bureau of Conveyances of the State of Hawaii in Book 12213 at Page 307.

10. Cable Television Installation Agreement

Dated: August 27, 1993

Recorded: in the Bureau of Conveyances of the State of Hawaii, Document No. 94-023178.

11. Various driveways, drains, sewer, water and underground electric and telephone lines, as shown on survey prepared by Nobuchika Santo, Registered Professional Surveyor, dated June 30, 1988.

12. **Mortgage, Security Agreement and Financing Statement** to secure an indebtedness as shown below, and any other obligations secured thereby

Amount: \$13,430,000.00

Dated: November 2, 2005

Loan No.: None Shown

Mortgagor: Waiakea Villas, LLC, a Hawaii limited liability company

Mortgagee: Bridge Capital (USVI), LLC, a U.S. Virgin Islands limited liability company

Recorded: November 3, 2005, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3350425, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-225040.

13. **Absolute Assignment of Rentals and Lessor's Interest in Leases**, to secure payment of an indebtedness, shown below and upon the terms and conditions therein

Amount: \$13,430,000.00

Assigned to: Bridge Capital (USVI), LLC, a U.S. Virgin Islands limited liability company

By: Waiakea Villas, LLC, a Hawaii limited liability company

Recorded: November 3, 2005, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-225041.

14. **A financing statement** recorded in the Bureau of Conveyances, showing

Debtor: Waiakea Villas, LLC

Secured Party: Bridge Capital (USVI), LLC, a U.S. Virgin Islands limited liability company

Date: None Shown

Recorded: November 3, 2005, in the Bureau of Conveyances of the State of Hawaii, Document No. 2005-225042.

15. **A mortgage** to secure an indebtedness as shown below, and any other obligations secured thereby

Amount: \$1,950,000.00
Dated: August 12, 2004
Loan No.: none shown
Mortgagor: Waiakea Villas, LLC, a Hawaii limited liability company
Mortgagee: The Mortgage Group, Inc., a Hawaii corporation
Recorded: August 31, 2004, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3159756, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-178779.

Security Assignment of Loan Documents with automatic release and subordination of lien of all moneys due, or to become due as rental or otherwise from said land, to secure payment of an indebtedness, shown below and upon the terms and conditions therein

Amount: \$1,950,000.00
Assigned to: Sunra International Bank & Trust Corporation, a Republic of Palau corporation
By: The Mortgage Group, Inc., a Hawaii corporation
Recorded: August 31, 2004, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3159757, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-178782.

Agreement with and Acceptance of Security Assignment of Loan Documents with Automatic Release and with Automatic Subordination, dated January 28, 2005, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3227653, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-023600.

An agreement to modify the terms and provisions of said Mortgage as therein provided

Executed by: Waiakea Villas, LLC, a Hawaii limited liability company, Simon Bebb, Hotels In Paradise, Inc.
and by: The Mortgage Group, Inc., a Hawaii corporation
Recorded: November 3, 2005, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3350426, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-225043.

By the provisions of an agreement

Dated: November 2, 2005
Executed by: Bridge Capital (USVI), LLC, a U.S. Virgin Islands limited liability company, The Mortgage Group, Inc., a Hawaii corporation, and Waiakea Villas, LLC, a Hawaii limited liability company
Recorded: November 3, 2005, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3350428, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-225047.

Said instrument was made subordinate to the lien of the Mortgage, Security Agreement and Financing Statement shown as item No. 12.

Security Assignment of Loan Documents with automatic release and subordination of lien of all moneys due, or to become due as rental or otherwise from said land, to secure payment of an indebtedness, shown below and upon the terms and conditions therein

Amount: \$506,000.00
Assigned to: Sunra International Bank & Trust Corporation, a Republic of Palau corporation
By: The Mortgage Group, Inc., a Hawaii corporation
Recorded: November 9, 2005, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3352863, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-229203.

16. **Absolute Assignment of Rentals and Lessor's Interest in Leases** of all moneys due, or to become due as rental or otherwise from said land, to secure payment of an indebtedness, shown below and upon the terms and conditions therein

Amount: \$1,950,000.00
Assigned to: The Mortgage Group, Inc., a Hawaii corporation
By: Waiakea Villas, LLC, a Hawaii limited liability company
Recorded: August 31, 2004, in the Bureau of Conveyances of the State of Hawaii, Document No. 2004-178780.

An agreement to modify the terms and provisions of said mortgage as therein provided

Executed by: Waiakea Villas, LLC, a Hawaii limited liability company, Simon Bebb, Hotels in Paradise, Inc.
Recorded: November 3, 2005, in the Bureau of Conveyances of the State of Hawaii, Document No. 2005-225044.

By the provisions of an agreement

Dated: November 2, 2005
Executed by: Bridge Capital (USVI), a U.S. Virgin Islands limited liability company, The Mortgage Group, Inc., a Hawaii corporation and Waiakea Villas, LLC, a Hawaii limited liability company
Recorded: November 3, 2005, in the Bureau of Conveyances of the State of Hawaii, Document No. 2005-225047.

Said instrument was made subordinate to the lien of the document or interest shown as item No. 12.

17. **A financing statement** recorded in the Bureau of Conveyances, showing

Debtor: Waiakea Villas, LLC
Secured Party: The Mortgage Group, Inc., a Hawaii corporation
Date: None Shown
Recorded: August 31, 2004, in the Bureau of Conveyances of the State of Hawaii, Document No. 2004-178781.

By the provisions of an agreement

Dated: November 2, 2005
Executed by: Bridge Capital (USVI), LLC, a U.S. Virgin Islands limited liability company, The Mortgage Group, Inc., a Hawaii corporation, and Waiakea Villas, LLC, a Hawaii limited liability company
Recorded: November 3, 2005, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-225047.

Said instrument was made subordinate to the lien of the Mortgage, Security Agreement and Financing Statement shown as item No. 12.

18. **A mortgage to secure an indebtedness as shown below, and any other obligations secured thereby**

Amount: \$853,000.00
Dated: August 12, 2004
Loan No.: none shown
Mortgagor: Waiakea Villas, LLC, a Hawaii limited liability company
Mortgagee: The Mortgage Group, Inc., a Hawaii corporation
Recorded: August 31, 2004, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3159758, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-178784.

Security Assignment of Loan Documents with automatic release and subordination of lien to secure payment of an indebtedness, shown below and upon the terms and conditions therein

Amount: \$853,000.00
Assigned to: Sunra World Corporation, a Japan corporation
By: The Mortgage Group, Inc., a Hawaii corporation
Recorded: August 31, 2004, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3159759, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-178788.

Agreement with and Acceptance of Security Assignment of Loan Documents with Automatic Release and with Automatic Subordination, dated January 28, 2005, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3227654, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-023601.

An agreement to modify the terms and provisions of said Mortgage as therein provided

Executed by: Waiakea Villas, LLC, a Hawaii limited liability company, Simon Bebb, Hotels In Paradise, Inc.
and by: The Mortgage Group, Inc., a Hawaii corporation
Recorded: November 3, 2005, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3350427, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-225045.

By the provisions of an agreement

Dated: November 2, 2005
Executed by: Bridge Capital (USVI), LLC, a U.S. Virgin Islands limited liability company, The Mortgage Group, Inc., a Hawaii corporation, and Waiakea Villas, LLC, a Hawaii limited liability company
Recorded: November 3, 2005, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3350428, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-225047.

Said instrument was made subordinate to the lien of the Mortgage, Security Agreement and Financing Statement shown as item No. 12.

Security Assignment of Loan Documents with automatic release and subordination of lien of all moneys due, or to become due as rental or otherwise from said land, to secure payment of an indebtedness, shown below and upon the terms and conditions therein

Amount: \$1,405,000.00
Assigned to: Sunra World Corporation, a Japan corporation
By: The Mortgage Group, Inc., a Hawaii corporation
Recorded: November 9, 2005, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 3352864, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-229204.

19. **Absolute Assignment of Rentals and Lessor's Interest in Leases** of all moneys due, or to become due as rental or otherwise from said land, to secure payment of an indebtedness, shown below and upon the terms and conditions therein

Amount: \$853,000.00
Assigned to: The Mortgage Group, Inc., a Hawaii corporation
By: Waiakea Villas, LLC, a Hawaii limited liability company
Recorded: August 31, 2004, in the Bureau of Conveyances of the State of Hawaii, Document No. 2004-178785.

An agreement to modify the terms and provisions of said Mortgage as therein provided

Executed by: Waiakea Villas, LLC, a Hawaii limited liability company, Simon Bebb, Hotels In Paradise, Inc.
and by: The Mortgage Group, Inc., a Hawaii corporation
Recorded: November 3, 2005, in the Bureau of Conveyances of the State of Hawaii, Document No. 2005-325046.

By the provisions of an agreement

Dated: November 2, 2005
Executed by: Bridge Capital (USVI), LLC, a U.S. Virgin Islands limited liability company, The Mortgage Group, Inc., a Hawaii corporation, and Waiakea Villas, LLC, a Hawaii limited liability company
Recorded: November 3, 2005, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-325047.

Said instrument was made subordinate to the lien of the Mortgage, Security Agreement and Financing Statement shown as item No. 12.

20.

A financing statement recorded in the Bureau of Conveyances, showing

Debtor: Waiakea Villas, LLC
Secured Party: The Mortgage Group, Inc., a Hawaii corporation
Date: None Shown
Recorded: August 31, 2004, in the Bureau of Conveyances of the State of Hawaii, Document No. 2004-178786.

By the provisions of an agreement

Dated: November 2, 2005
Executed by: Bridge Capital (USVI), LLC, a U.S. Virgin Islands limited liability company, The Mortgage Group, Inc., a Hawaii corporation, and Waiakea Villas, LLC, a Hawaii limited liability company
Recorded: November 3, 2005, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-225047.

Said instrument was made subordinate to the lien of the Mortgage, Security Agreement and Financing Statement shown as item No. 12.

END OF EXHIBIT "G"

EXHIBIT "H"

SUMMARY OF THE PROVISIONS OF THE DEPOSIT RECEIPT & CONDOMINIUM SALES CONTRACT (consisting of (a) Specific terms and conditions ("Specific Provisions"); (b) attached "General Terms and Conditions", and (c) Attachments (Disclosure Statement, Lead Paint Disclosure and List of items available for Buyer's Review.) This Summary is only a summary, and it is qualified by the terms and condition contained in the Sale Contract itself. A prospective buyer is urged to review the entire Contract and other Project Documents referred to in Paragraph 10 below.

1. Description of the Property to be Conveyed: Fee simple title to the Apartment, together with furnishings and appliances and an undivided interest in the common elements. No specific parking stall is allocated to an Apartment.

2. Reserved Rights to the Developer. General Terms and Conditions (Paragraph 3) refers to Seller's Reserved Rights to Modify Project and Project Documents and to Take Actions, without the approval, consent or joinder of any apartment owner, mortgagee or purchaser of an Apartment or any interest therein. Those rights include Seller's right to amend the Declaration, the Bylaws and the Condominium Map in certain cases, that Seller may re-develop Building 6 Lot with a new multifamily residential building including apartment units ("Wailoa Gardens" phase), which units Seller is adding to the Project; that Seller may utilize for commercial purposes the water located beneath the surface of the Land; and that Seller may grant utility easements and undertake sales programs on site for the sale of the apartments in the Project and construction of the Wailoa Gardens phase of the Project.

3. Purchase Price and Terms.

(a) The purchase price as set forth in the Specific Provisions is payable as follows:
(i) An initial deposit;
(ii) An additional cash deposit, if any is stated; and (iii) The balance of the purchase price is to be paid to escrow by purchaser in cash and/or with the proceeds from a mortgage which the Buyer may obtain.

(b) In addition to the purchase price, a buyer will be required by the Seller to pay (i) a Non-refundable non-transferable "Start-up Fee" for the Association of Apartment Owners of the Project (the "Association") to be no less than two (2) months estimated maintenance fees assessment for common expenses. The Apartment's share of common expenses will not be payable until Seller gives Buyer written notice.

(c) The Purchase Price includes replacement by Seller with new appliances for the type of apartment being bought and re-carpeting and re-painting of the Apartment. However, if a Buyer decides not to accept the foregoing, he shall be deemed to have elected to accept the existing appliances and carpeting and Apartment in their current "as is" condition and to receive a credit of \$2,500 against the Purchase Price for the Apartment.

(d) At closing, Seller will pay \$1750 per apartment into the account of the Association of Apartment Owners.

4. Financing of Purchase. Paragraph 8f the General Terms and Conditions provides if Buyer desires financing, a prequalification letter must be provided the Seller within ten (10) days and if Buyer's application is not approved within forty-five (45) days after the application, then either Seller or Buyer may cancel the Sales Contract. Upon such cancellation, Buyer's deposits will be refunded by escrow without interest.

5. Closing Costs. Pursuant to Paragraph 10(d) of the General Terms and Conditions, Buyer shall pay the following closing costs: (i) Buyer's notary fees; (ii) the cost of a title report and any title insurance policy requested by Buyer covering the Apartment; (iii) any fees or charges pertaining to Buyer's use of the Apartment, e.g., telephone installation costs; (iv) fifty percent (50%) of the Escrow's fees; and (v) any other closing costs not mentioned above which are customarily paid by buyers for the purchase of similar Hawaii real estate. (ii) Prorations. In addition to the closing costs, Buyer will pay a prorated share of (i) real property taxes which Seller has paid or is obligated to pay for

the Project or the Apartment; and (ii) any other assessments and charges assessed against the Project or the Apartment, prorated as of the Closing Date; and (iii) Buyer's Mortgage Loan Costs.

6. Closing. Seller has agreed to cause the Apartment to be sold to the Buyer within the time period set forth in the Specific Provisions, which is expected to be within 90 days of execution. However, if the Project is subject to blanket mortgages and liens ("liens") (see Exhibit E to the Final Public Report), then closing on the sale of the Apartment to the Buyer may be subject to terms imposed by lender or lenders in order to satisfy the liens (and removal thereof) or to provide a partial release of the liens so that the Apartment can be conveyed free and clear of the liens. If that is the case (which is likely) and if such has not occurred by the Scheduled Closing Date as stated in the Specific Provision, then the Scheduled Closing Date may be extended. If by the extended Scheduled Closing Date, such has not occurred, then, either party may elect to terminate this Agreement by giving notice thereof to the other party and to the Escrow Agent. Upon such termination, all deposits previously made by Buyer shall be refunded to Buyer, and neither party shall thereafter have any recourse against the other arising out of this Agreement.

7. No Present Transfer and Subordination to Construction Loan.

(a) Paragraph 5 of the General Terms and Condition provides that the Project and the Apartment (and the Sales Contract) is subject to existing blanket mortgages and liens. Any security interest now or hereafter obtained by a lender is or will be prior and senior to any rights arising under the Sales Contract.

(b) However, it shall be a condition to Buyer's obligation under the Sales Contract, that Seller shall at closing be able to convey the Property to Buyer free and clear of the foregoing Mortgage Liens.

8. Rights of Buyer to Cancel the Sales Contract. The Buyer has the right to cancel the Sales Contract under the following conditions:

a. At any time within thirty (30) days following the date the Final Public Report is delivered to Buyer. If Buyer so cancels, Buyer will be entitled to receive refund of any deposits, less any escrow cancellation fees and other costs up to \$250. If Buyer does not act within the thirty (30) day period, or if the Apartment is conveyed to the Buyer, Buyer will be deemed to have executed the receipt for the Final Public Report and to have waived his right to cancel (paragraph 1(c) of the General Terms and Conditions.).

b. The Buyer may cancel his purchase if there is a material change in the Project which directly, substantially and adversely affects the use or value of the Buyer's Apartment or the amenities available for the Buyer's use (paragraph 9(s) of the General Terms and Conditions.).

c. Buyer fails to qualify for financing (paragraph 8(c) of the General Terms and Conditions.)

9. Seller's Rights to Cancel Sales Contract. The Seller may cancel the Sales Contract with the Buyer if (a) Buyer fails to obtain prequalification letter or qualify for a permanent loan (paragraph 8 of the General Terms and Conditions); (b) Buyer defaults under the Sales Contract; or (c) Buyer dies prior to Closing Date (paragraph 16 of the Special Provisions). Pursuant to Paragraph 10(f) of the General Terms and Conditions, if Buyer fails to close as required, then after fifteen (15) days following Seller's notice of Buyer's default, if Buyer has not cured his default under the Sales Contract, the Seller may cancel the Sales Contract and all sums previously paid by Buyer will belong absolutely to the Seller as liquidated damages. Additionally, Seller may pursue any other remedy, including charging a late fee, make prorations as of the scheduled closing date and seeking recovery of all costs, including reasonable attorney's fees, incurred by reason of default by the Buyer shall be borne by the Buyer. Time is the essence of the Sales Agreement.

10. Inspection of Documents. Paragraph 3(c) of the General Terms and Conditions provides that the Buyer acknowledges that he or she has examined (and agrees to be bound) by the following:

(i) the Amended and Restated Declaration, (ii) the Bylaws of the Association of Apartment Owners of the Project, as Amended and Restated ("Bylaws"), (iii) the Public Report(s) for the Project prepared by Seller, (iv) a specimen form of Apartment Deed, for the Project; (v) Condominium Map, as amended; (vi) the Escrow Agreement (covering the receipt, collection and disbursement of funds paid under the Agreement), and (viii) the House Rules.

11. Disclosures and Inspections. The Sales Agreement contains extensive disclosure information, including the attached Disclosure Statement, and Buyer is afforded the opportunity to examine and inspect the Project and written materials available at the office of the Seller.

12. Seller's Disclaimers of Liability. Seller makes extensive disclaimers of responsibility and liability relating to the Apartment, the Project and the common elements. Those disclaimers are set forth in Paragraph 6 of the General Terms and Conditions. Those disclaimers include, among others, that Seller makes no warranties or promises (and has not authorized any agents, sales persons or brokers to make any warranties or promises): (a) that the Project or any improvements in the apartment, the property or the Project (including the common elements) will be free from cracks in, or other damage to, the concrete, the roofs or other building materials; (b) regarding damage resulting from termite infestation; (c) regarding the value of the project or the personal property; (d) regarding the physical or environmental condition of the project; or (e) regarding the suitability, conformance, compliance or lack of compliance of the project with any state, federal, county or local law, code, ordinance, order, permit, administrative requirement, or regulation, including, without limitation, those related to the consolidation and subdivision of land, the operation and use of the project, accessibility of the project by persons with disabilities, or building codes. In other words, Seller makes no warranties or promises at all.

13. Rental representations. It is possible that Apartments may be sold subject to an existing rental agreement in which a third party resides in the Apartment being purchased. If that is the case, then at closing, Seller shall assign to Buyer its interest as landlord in the Rental Agreement, and Seller shall assign at closing any security deposit either in the form of cash payment or as a credit against the Purchase Price for the Apartment. There are extensive risks associated with having a tenant in possession subject to a lease, as disclosed in the Disclosure Statement.

Moreover, Seller HAS NOT AUTHORIZED ANY AGENTS, SALESPERSONS OR BROKERS TO MAKE ANY REPRESENTATIONS AS TO RENTAL OR OTHER INCOME FROM ANY APARTMENT, OR ANY OTHER ECONOMIC BENEFIT TO BE DERIVED FROM THE PURCHASE OF AN APARTMENT IN THE PROJECT INCLUDING POSSIBLE ADVANTAGES FROM THE OWNERSHIP OF AN APARTMENT UNDER FEDERAL OR STATE TAX LAWS. Buyer acknowledges that neither Seller nor any of its representatives or real estate agents has made any representation or reference as to the possibility of rental of the Apartment, income from the Apartment or any other economic benefit to be derived from the Apartment. BUYER HEREBY ACKNOWLEDGES THAT NO SUCH REPRESENTATIONS OR WARRANTIES HAVE BEEN MADE AND THAT Seller EXPRESSLY DISCLAIMS AND REPUDIATES ANY REPRESENTATION FROM ANY SOURCE AS TO ANY POSSIBLE ECONOMIC BENEFIT ARISING FROM OWNERSHIP OF AN APARTMENT IN THE PROJECT.

End of EXHIBIT "H"

EXHIBIT "I"

SUMMARY OF THE MATERIAL PROVISIONS OF THE ESCROW AGREEMENT

Summary of the Condominium Escrow Agreement between the Developer and Fidelity National Title & Escrow of Hawaii, Inc.

1. All deposits will be paid to Escrow. A copy of each Sales Contract and all payments made to purchase an Apartment shall be turned over to the Escrow Agent.

2. Refunds. A Buyer shall be entitled to a return of his funds, and Escrow shall pay such funds to such Buyer, without interest, in accordance with the Sales Contract if any of the following has occurred:

(a) Developer and the purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held hereunder by Escrow; or

(b) Developer shall have notified Escrow of Developer's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer; or

(c) With respect to a purchaser whose funds were obtained prior to the issuance of the Final Report, the purchaser has exercised his right to cancel the contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or

(d) A purchaser has exercised his right to rescind the contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.

Upon such refund, Escrow Agent shall be entitled to a reasonable fee not less than \$25 or a fee commensurate with the work done by Escrow prior to cancellation.

3. Requirements Prior to Disbursement of Buyer's Funds. Escrow Agent shall make no disbursements of Buyer's funds, pursuant to paragraph 5 of the Escrow Agreement until all of the following have occurred:

(a) the Real Estate Commission has issued a final public report (the "Final Report") on the Project;

(b) Seller or Seller's attorney has given a written opinion to Escrow stating that all of the requirements of Sections 514A-39.5 (as to contingent final public reports), 514A-40 (as to final public reports) and 514A-63 of the Hawaii Revised Statutes, then applicable to the Project, have been satisfied.

(c) Seller shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract.

4. Purchaser's Default. Seller must notify Escrow in writing if Purchaser defaults, and must certify that Seller has canceled the Purchaser's Sales Contract. After such cancellation Escrow will treat the Purchaser's funds less Escrow's cancellation fees as belonging to the Seller.

EXHIBIT "J"

AMENDED DISCLOSURE ABSTRACT

July 1, 2005

1. (a) PROJECT: **WAIAKEA VILLAS**
400 Hualani Street
Hilo, Hawaii 96720
- (b) DEVELOPER: **WAIAKEA VILLAS LLC**
400 Hualani Street
Hilo, Hawaii 96720
Telephone: (808) 922-7828
- (c) REAL ESTATE BROKER: **HILO BROKERS, Ltd.** (Except as to Wailoa Gardens phase)
80 Pauahi Street, Suite 105
Hilo, HI 96720
Telephone: (808) 969-9400
- (d) MANAGING AGENT: **Hawaii First, Inc.**
800 Bethel Street
Honolulu, Hawaii 96813
Telephone: (808) 531-5566
- (e) ESCROW AGENT: **Fidelity National Title & Escrow of Hawaii, Inc.**
201 Merchant Street, Suite 2100
Honolulu, HI 96813
Telephone: (808) 536-0404

2. Pursuant to Section 514A-15 HRS, the Developer has assumed payment of all of the maintenance expenses for the Project. However, **beginning on August 1, 2005**, an apartment owner shall be obligated to pay his share of the common expenses relating to his apartment.

Breakdown of annual maintenance fees and monthly estimate costs for each unit (revised and updated every twelve (12) months and certified to have been based on generally accepted accounting principles)

- See attached Exhibit "J-1" and "J-2" -

3. **DESCRIPTION OF ALL WARRANTIES COVERING THE UNITS AND COMMON ELEMENTS:**

Developer is not making any warranties relating to the materials and workmanship of the Project.

4. **PURPOSES AND USES OF APARTMENT UNITS.**

(a) **Apartments.** The Apartments may be used for residential, transient occupancy or condominium-hotel and accessory purposes including for home occupations normally considered accessory to residential use, and for any other purposes permitted under applicable law; provided, however, that only the Apartments located in Building 9 or in Building 10 (i) may be used for office, commercial, retail and each or their accessory purposes, and (ii) may be used in connection with the operation of a "senior housing" facility.

(b) **Uses Increasing Hazard.** No Apartment or limited common element appurtenant thereto shall be used in any manner or for any purpose which (i) hinders normal and reasonable ingress to and egress from any other Apartment or the stairways, corridors or other access ways leading thereto; (ii) creates or may create a hazard or potential hazard to other residents of the Project; (iii) increases the hazard or liability insurance premiums for the Project; (iv) impairs or may impair the structural integrity of any common elements (including limited common elements) of the Project; (v) creates or causes noise, vibrations, noxious odors or other nuisances which are detectable from outside of the apartment and the limited common elements appurtenant thereto; or (vi) is illegal or otherwise violates any applicable federal, state or local law, ordinance, rule, regulation or other restriction.

(c) **Rentals.** An Owner of Apartments shall have the right to rent or lease, or otherwise permit the use of his Apartment, for any length or periods of time as the Owner may desire; provided, however, the Apartments shall not be used, leased, rented or any undivided interest therein be transferred for time-sharing purposes or under any

time sharing plan, agreement or arrangement as the same is defined under Chapter 514E, Hawaii Revised Statutes, as amended. The Owner of an Apartment shall provide each rental tenant with a copy of the Rules and Regulations and shall make a copy of the Bylaws, as amended, available for the tenant's review. An Owner who rents his Apartment shall at all times remain primarily and severally liable to all other Apartment Owners and to the Association for any failure on the part of such Owner's tenant(s) to observe and comply with all provisions of this Declaration, the Bylaws, the Rules and Regulations and all other applicable laws.

(d) **Rental Restrictions.** If an Owner of an Apartment desires to make an arrangement for rental or occupancy of his Apartment, then the Owner must make such arrangement without the involvement or participation of the Developer. THE DEVELOPER HAS NOT AUTHORIZED ANY AGENT, EMPLOYEE, SALESPERSON OR BROKER TO MAKE ANY REPRESENTATIONS AS TO RENTAL OR OTHER INCOME FROM ANY APARTMENT OR AS TO ANY OTHER ECONOMIC BENEFIT, INCLUDING POSSIBLE ADVANTAGES FROM THE OWNERSHIP OF AN APARTMENT UNDER FEDERAL OR STATE TAX LAWS, TO BE DERIVED FROM THE PURCHASE OF AN APARTMENT IN THE PROJECT. Until the Developer closes the sale of all the Apartments in the Project (other than those in Buildings 9 or 10), no Owner of an Apartment shall enter into any agreement with any Apartment Owner, purchaser, or lessee of another Apartment or any other third party in which the Owner of an Apartment agrees to share rental income from Apartments in the Project.

(e) **Parking.** Vehicular access to and egress from each parking stall in the Project, shall be subject to such entry and exit system and rules as may be established by the Association and to agreements with County of Hawaii and owners of neighboring properties. Such entry and exit systems may, without limitation, include the use of gate cards and/or parking stickers in order to gain access to or egress from the parking stalls or access to or exit from other parking facilities. Each user of a parking stall shall at all times comply with such entry and exit system and rules from time to time established by the Association. Parking for the Project is also subject to, but has the benefit, of certain agreements with neighboring properties relating to use of stalls on the Land and on the property of such neighbors.

(f) **Building 12.** Notwithstanding any provision to the contrary, Building 12 which is appurtenant to Apartment 5-247 may be used by the Owner of Apartment 5-247 (or by such Owner's tenant, licensee or other person claiming by or through the Owner) for any commercial, retail or business purpose whatsoever in connection with the operation of a water company, and in connection therewith such Owner shall have the right to install, remove, operate, repair and maintain fixtures and other structures, including without limitation furniture, furnishings, movable partitions and equipment on or within such limited common elements.

(g) **Signage.** The Owner of any Apartment will not, without the prior written consent of the Board of Directors, display any sign or place any other thing in or upon any doors, windows, walls or other portions of the Apartment or the common elements so as to be visible from the exterior, provided, however, that this restriction shall not apply to signs displayed by the Developer for sales purposes prior to the completion of sales of all Apartments in the Project.

(h) **Consent to Amendments.** Any amendment to Subparagraphs 10(a) through 10(g) of the Declaration, or any other amendment to the Declaration that would limit or interfere in any material way with the aforementioned permitted uses of an Apartment or with ingress to or egress from any Apartment in the Project, shall require the written consent of the Owners of all Apartments directly affected by such amendment.

(i) **Use of Common Elements.** Except for easements reserved by the Developer elsewhere in the Declaration or in the Bylaws and subject also to the exclusive use of the limited common elements provided for in the Declaration, the common elements shall be used for the purposes for which they are designed.

(j) **Electrical Usage.** Owners and their tenants and guests shall use electrical fixtures, appliances, telephones, lamps, and other fixtures and accessories belonging to such apartment in such a manner so as not to overload the capacity of the electrical system to the Project and within the apartment. In furtherance of the foregoing, no oven or range shall be installed in apartments which do not have such oven or range as of the date hereof, and no air conditioners may be installed in any apartment except for those air conditioners (and replacement therefor) which are located in an apartment as of the date hereof. The Board may establish further rules and regulations concerning such electrical usage, which rules may differ by type of apartment, the fixtures installed therein, the capacity of such service provided to the apartment, and future changes in the electrical capacity.

The Developer certifies that based on Exhibits "J-1" and "J-2" attached hereto, the maintenance fees and costs are based on generally accepted accounted principles.

WAIAKEA VILLAS, LLC, a Hawaii limited liability company

By Hotels in Paradise, Inc.
Its Member

By  _____
Simon Bebb
Its President

**ESTIMATE OF MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS
FOR
WAIAKEA VILLAS CONDOMINIUM**

Estimate of Maintenance Fees:

Unit Types		Maintenance Fee Beginning January 1, 2006, First Fiscal Year		
Apartment Type	PCI %	Monthly Fee 1/1/06	X 12 Months	= Yearly Total 1/1/06
A	0.29241%	172.53		2,070.36
A1	0.30548%	180.24		2,162.88
AA	0.29241%	172.53		2,070.36
AA1	0.30548%	180.24		2,162.88
AG	0.33721%	198.96		2,387.52
B	0.37329%	220.25		2,643.00
BB	0.37329%	220.25		2,643.00
C	0.43115%	254.38		3,052.56
D	0.70804%	417.75		5,013.00
D1	0.70801%	417.73		5,012.76
F	0.41373%	244.11		2,929.32
F1	0.42680%	251.82		3,021.84
FBB1	0.42680%	251.82		3,021.84
FC1	0.42680%	251.82		3,021.84
G	0.41373%	244.11		2,929.32
G1	0.42680%	251.82		3,021.84
GBB	0.41373%	244.11		2,929.32
GBB1	0.42680%	251.82		3,021.84
GC	0.43115%	254.38		3,052.56
H	0.44857%	264.66		3,175.92
H1	0.46164%	272.37		3,268.44
HC	0.29241%	172.53		2,070.36
HC1	0.29241%	172.53		2,070.36
IBG	0.41373%	244.11		2,929.32
ICF	0.43115%	254.38		3,052.56
J1	0.39196%	231.26		2,775.12
K	0.27375%	161.52		1,938.24
KK	0.28806%	169.96		2,039.52
L	0.39382%	232.36		2,788.32

Exhibit "J-1"

Page 1

Estimate of Initial Maintenance Fees:

L1	0.35152%	207.40		2,488.80
LL	0.39071%	230.52		2,766.24
LL1	0.35898%	211.80		2,541.60
M	0.40813%	240.80		2,889.60
M1	0.40502%	238.97		2,867.64
MM	0.41560%	245.21		2,942.52
191A	0.38947%	229.79		2,757.48
191B	1.08566%	640.54		7,686.48
193A	0.94941%	560.16		6,721.92
193B	0.34094%	201.16		2,413.92
194	0.72916%	430.21		5,162.52
195	0.78329%	462.15		5,545.80
196	1.09499%	646.05		7,752.60

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

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

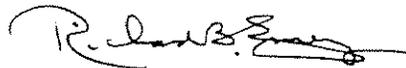
Monthly Fee X 12 Months = Yearly Total

Other Income		
Electricity reimbursement from Owners	24,000.00	288,000.00
Laundry Income	310.00	3,720.00
Miscellaneous Income	17.00	204.00
Payroll		
Maintenance	6,484.00	77,808.00
Landscape	1,907.00	22,884.00
Custodial	1,907.00	22,884.00
FICA	1,200.00	14,400.00
FUTA	120.00	1,440.00
SUTA	300.00	3,600.00
Workers Comp. Insurance	1,350.00	16,200.00
TDI Insurance	85.00	1,020.00
Medical Insurance	1,100.00	13,200.00
Utilities and Services		
Electricity (billed to owners)	24,000.00	288,000.00
Refuse	1,200.00	1,440.00
Water/Sewer	7,500.00	90,000.00
Gas	1,000.00	12,000.00
Security	5,165.00	61,980.00
Maintenance, Repairs and Supplies		
Building	750.00	9,000.00
Plumbing	250.00	3,000.00
Irrigation	75.00	900.00
Electrical	600.00	7,200.00
Grounds	540.00	6,480.00
Pool Service/Supplies	700.00	8,400.00
Equipment Repair	300.00	3,600.00
Supplies & Equipment	250.00	3,000.00
Custodial	250.00	3,000.00
Management		
Administrative Supplies	50.00	600.00
Audit/Tax Fees	135.00	1,620.00

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

	<u>Monthly Fee</u>	<u>X 12 Months</u>	<u>= Yearly Total</u>
Management Fee	4,065.00		48,780.00
Management Reimbursable Expenses	341.00		4,092.00
Site Manager	2,605.00		31,260.00
Other Expense	100.00		1,200.00
Insurance			
Condominium Insurance Package	6,088.00		73,056.00
GET Taxes	10.00		120.00
Sub Total	70,427.00		845,124.00
Reserves (*)	12,900.00		154,800.00
TOTAL	83,327.00		999,924.00

I, Richard Emery, as agent and employed by Hawaii First Inc., the condominium managing agent for the Waiakea Village condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



Dated: December 1, 2005

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

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

EXPLANATION REGARDING RESERVES

In arriving at the figure for "Reserves" in this Exhibit "J-1", the Developer conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

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Section	Page	Report
1	1	Project Definition
2	1	Analysis Definition
3	1	Cash Flow Projections
4	1	Projected Expenditures
5	1	Component Summary

Waiakea Villas 2006, Exhibit J-2

PROJECT DEFINITION REPORT

12/01/2005

Project Information

Project:	Waiakea Villas 2006, Exhibit J-2	Project Date:	6/01/1971
Address:	400 Hualani Street	Number of Phases:	1
City:	Hilo	Number of Units:	258
State:	HI	Number of Models:	10
Zip:	96720-0000		

Property Description

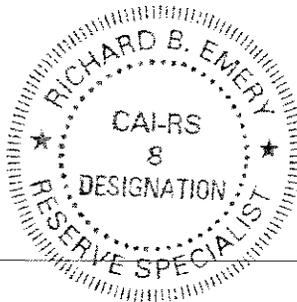
A Reserve Study was prepared using the cash flow method of analysis for the Waiakea Villas. The Reserve Study was prepared by the Managing Agent using two previously prepared reserve studies by other professional firms and using industry averages of similar project to establish the components, component history, and replacement costs. The plan includes only those components that are common elements or limited common elements of the association.

It is important to recognize that a Reserve Study is a financial forecast of future funds required to maintain the capital components of the project. It requires an Association to make reasonable efforts to project inflation, interest income, remaining life, and replacement costs of the project's capital components for a 20-yr period. By its nature, it is an estimate to be used in developing the Association's annual budget. The Reserve Study is a statutory requirement of HRS 514A-83.6.

Based on this Reserve Study, the AOA Waiakea Villas is fully funded and has complied with the requirements of HRS 514A-83.6; provided however, the Association implements the funding plan and the criteria used reflects the project's actual experienced during the life of the plan.



Richard Emery, RS-8
Reserve Specialist



Waiakea Villas 2006, Exhibit J-2

ANALYSIS DEFINITION REPORT

2006 Budget

Project Information

Project:	Waiakea Villas 2006, Exhibit J-2	Project Date:	6/01/1971
Address:	400 Hualani Street	Analysis Date:	1/01/2006
City:	Hilo	Number of Phases:	1
State:	HI	Number of Units:	258
Zip:	96720-0000	Number of Models:	10

Analysis Parameters

Rate of Inflation:	3%	Deferred Expenditures:	No
Rate of Return on Investment:	5%	Contingency:	0%
Beginning Funds:	\$500,000.00	Contingency Time:	None
Loan/Special Assessment	No		

Annual Contribution Factors

		2016:	0%
2007:	0%	2017:	0%
2008:	0%	2018:	0%
2009:	0%	2019:	0%
2010:	0%	2020:	0%
2011:	0%	2021:	0%
2012:	0%	2022:	0%
2013:	0%	2023:	0%
2014:	0%	2024:	0%
2015:	0%	2025:	0%

Additional Analysis Information

The Association's estimated total replacement reserves as of December 31, 2005 is estimated at approximately \$500,000.00, provided all of the apartments are sold. The estimated replacement reserves for the 2006 budget year is \$154,800.00. The budget provides for the Association to collect \$154,800.00 in 2006. The December 31, 2005 year ending reserve fund balance will vary depending on sales of apartments at the project. The Funding Plan assumes that all of the apartments are sold. The initial fund balance will be contributed by the developer as each apartment sells at the rate of \$1,725.00 per apartment. A new building will be added to the association named Wailoa Gardens and it a part of the common elements of the project. The Funding Plan further relies upon the interest income from investments of reserve funds remaining in the reserve fund.

The Association is fully funded based on the initial Reserve Study and its Funding Plan.

PROJECTED EXPENDITURES
2006 Budget

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Asphalt Overlay				91,166						
Asphalt Repair During Overlay				56,978						
Asphalt Seal Coat					17,606					19,816
Carpet	41,702								51,304	
Elevator Cab Refurbishment									13,407	
Entrance Sign With Electrical					4,695					
Laundry Room Dryers	16,681									
Laundry Room Washers	12,511									
Manager Office Equipment				4,558						
Painting Exterior Walls Phase 1	312,768								5,130	
Painting Exterior Walls Phase 2		322,151								
Painting Exterior Walls Walloa										
Painting Exterior Walls Wood Repair	31,277									47,625
Painting Exterior Walls Wood Repair		32,215								
Painting Fences & Rails				2,849						
Pool - Retile	20,851								3,206	
Pool Deck Coating										
Pool Equipment	4,170									20,411
Rafter & Facia Repair	5,213		5,371							
Roof Metal				142,446						
Sidewalks Repair	5,734				5,698				6,413	
Termite Repairs			6,638			6,456				
Tree Trimming	6,255		6,445			7,043			7,696	
Water Heater	6,255				6,837				7,696	
Totals	463,417	354,366	18,454	297,997	34,836	13,499	13,299		94,852	87,852

PROJECTED EXPENDITURES
2006 Budget

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Asphalt Seal Coat										
Carpet					22,972					26,639
Elevator Cab Refurbishment							64,990			
Gas Regulators									17,499	
Laundry Room Dryers						25,239			9,590	
Laundry Room Washers						18,929				
Manager Office Equipment					5,948					
Painting Exterior Walls Phase 1	408,211								6,897	
Painting Exterior Walls Phase 2		420,458								
Painting Exterior Walls Wailoa										
Painting Exterior Walls Wood Repair	40,821									62,158
Painting Exterior Walls Wood Repair		42,046								
Painting Fences & Rails				3,717						4,311
Pool Deck Coating										
Pool Equipment										26,639
Rafter & Facia Repair	6,804		7,218		7,657	6,310				
Roof Metal							8,124			8,621
Roofs - Flat		238,189								215,526
Sidewalks Repair	7,484					8,676				
Termite Repairs		8,409			9,189				10,041	
Tree Trimming	8,164		8,661		9,189		9,749			10,345
Water Heater						9,465				
Water Heater Wailoa					6,310					
Water Well Pump				3,829						
Totals	471,484	709,102	15,879	13,494	55,317	68,619	82,863	10,041	272,799	115,436

Waiakea Villas 2006, Exhibit J-2

CASHFLOW PERCENT FUNDED SUMMARY PROJECTIONS

2006 Budget

Year	Beginning Balance	Contribution	Average/ Unit/Mo	Interest Earned	Expenditures	Ending Balance
2006	500,000.00	154,800.00	50.00	16,153.04	463,417.00	207,536.04
2007	207,536.04	154,800.00	50.00	5,226.77	354,366.00	13,196.81
2008	13,196.81	154,800.00	50.00	4,387.74	18,454.00	153,930.55
2009	153,930.55	154,800.00	50.00	4,114.23	297,997.00	14,847.78
2010	14,847.78	154,800.00	50.00	3,988.33	34,836.00	138,800.11
2011	138,800.11	154,800.00	50.00	10,960.72	13,499.00	291,061.83
2012	291,061.83	154,800.00	50.00	18,757.26	13,299.00	451,320.09
2013	451,320.09	154,800.00	50.00	27,349.86	0.00	633,469.95
2014	633,469.95	154,800.00	50.00	34,208.30	94,852.00	727,626.25
2015	727,626.25	154,800.00	50.00	38,892.54	87,852.00	833,466.79
2016	833,466.79	154,800.00	50.00	32,976.96	471,484.00	549,759.75
2017	549,759.75	154,800.00	50.00	12,393.49	709,102.00	7,851.24
2018	7,851.24	154,800.00	50.00	4,190.30	15,879.00	150,962.54
2019	150,962.54	154,800.00	50.00	11,583.17	13,494.00	303,851.71
2020	303,851.71	154,800.00	50.00	18,170.62	55,317.00	421,505.33
2021	421,505.33	154,800.00	50.00	23,797.61	68,619.00	531,483.94
2022	531,483.94	154,800.00	50.00	29,004.07	82,863.00	632,425.01
2023	632,425.01	154,800.00	50.00	36,319.69	10,041.00	813,503.70
2024	813,503.70	154,800.00	50.00	38,268.15	272,789.00	733,782.85
2025	733,782.85	154,800.00	50.00	38,392.82	115,436.00	811,539.67
Totals:		3,096,000.00		409,135.67	3,193,596.00	

Waiakea Villas 2006, Exhibit J-2
COMPONENT SUMMARY REPORT

2006 Budget

<u>Description</u>	<u>Starting Date</u>	<u>Useful Life (yr/mo)</u>	<u>Adj. Life (yr/mo)</u>	<u>Sched. Rpl. (m/yr)</u>	<u>Recur</u>	<u>Current Cost</u>	<u>Future Cost</u>
Amenities							
Laundry Room Dryers	6/01/1990	15/00	+01/00	06/06	Y	16,000	16,195
Laundry Room Washers	6/01/1990	15/00	+01/00	06/06	Y	12,000	12,146
Pool - Retile	6/01/2006	30/00	00/00	06/06	Y	20,000	20,244
Pool Deck Coating	6/01/2005	10/00	00/00	06/15	Y	15,000	19,816
Pool Equipment	6/01/1990	15/00	+01/00	06/06	Y	4,000	4,049
Sub Total:						67,000	72,450
Building							
Carpet	6/01/1990	08/00	+08/00	06/06	Y	40,000	40,488
Elevator Cab Refurbishment	12/01/2004	10/00	00/00	12/14	Y	10,000	13,017
Elevator Modernization	12/01/2004	35/00	00/00	12/39	N	65,000	177,259
Gas Regulators	6/01/2004	20/00	00/00	06/24	Y	5,400	9,311
Painting Exterior Walls Phase 1	6/01/1990	10/00	+06/00	06/06	Y	300,000	303,658
Painting Exterior Walls Phase 2	6/01/1990	10/00	+07/00	06/07	Y	300,000	312,768
Painting Exterior Walls Wailoa	6/01/2015	10/00	00/00	06/15	Y	35,000	46,238
Painting Exterior Walls Wood Repair	6/01/1990	10/00	+06/00	06/06	Y	30,000	30,366
Rafter & Facia Repair	6/01/1990	10/00	+07/00	06/07	Y	30,000	31,277
Roof Metal	6/01/2004	02/00	00/00	06/06	Y	5,000	5,061
Roof Metal-Wailoa	6/01/1990	15/00	+04/00	06/09	Y	125,000	138,297
Roofs - Flat	6/01/2030	25/00	00/00	06/30	Y	39,000	80,293
Termite Repairs	6/01/2002	15/00	00/00	06/17	Y	165,000	231,252
	6/01/2005	03/00	00/00	06/08	Y	6,000	6,445

Waiakea Villas 2006, Exhibit J-2
COMPONENT SUMMARY REPORT

2006 Budget

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Water Heater	6/01/1990	15/00	+01/00	06/06	Y	6,000	6,073
Water Heater Waiioa	6/01/2020	15/00	00/00	06/20	Y	4,000	6,126
Sub Total:						1,165,400	1,437,929
Grounds							
Asphalt Overlay	6/01/1990	25/00	-06/00	06/09	Y	80,000	88,510
Asphalt Repair During Overlay	6/01/1990	25/00	-06/00	06/09	Y	50,000	55,319
Asphalt Seal Coat	6/01/2005	05/00	00/00	06/10	Y	15,000	17,094
Entrance Sign With Electrical	6/01/1990	20/00	00/00	06/10	Y	4,000	4,558
Painting Fences & Rails	6/01/2004	05/00	00/00	06/09	Y	2,500	2,766
Sidewalks Repair	6/01/2006	05/00	00/00	06/06	Y	5,500	5,567
Tree Trimming	6/01/2004	02/00	00/00	06/06	Y	6,000	6,073
Sub Total:						163,000	179,887
Other							
Manager Office Equipment	6/01/2004	05/00	00/00	06/09	Y	4,000	4,426
Water Well Pump	6/01/2004	15/00	00/00	06/19	Y	2,500	3,717
Sub Total:						6,500	8,143
Grand Total:						1,401,900	1,698,409

EXHIBIT "K"

Disclosure Statement

A buyer of an Apartment should closely review this Disclosure Statement, which contains pertinent information relating to the Land on which the Project is located ("Project Land",) the buildings and the apartments (including common elements) within the Project, and other conditions affecting the Project Land and surrounding areas.

References in the Disclosure Statement to "PCR" and to "ESA" are to the Property Condition Report and Phase 1 Environmental Site Assessment, respectively which are referred in greater detail in Attachment 3 and are available for Buyer's review.

If a buyer has any questions about the Project or the Apartment, he should ask the Seller or its agent for an answer or explanation.

A. Disclosures Relating to the Project Land:

(a) Zoning and Permitted Uses. Zoning of the Project Land is split between V-S-0.75 (Resort Hotel) and CG-7.5. (General Commercial District). However, the Declaration of Condominium Property Regime ("Declaration") limits the use of the Apartment (unless it is located within Building 9 or Building 10) to residential and transient residential use, including rental. Apartments located in Buildings 9 or 10 may also be used for commercial or retail uses or as a senior housing project. Thus, the Project may be used for uses other than residential uses, which may affect the living environment at the Project.

(b) Flood Zone. The westerly portion of the Project Land is located in Flood Zone AE - 100 year flood plain and no buildings located there. The rest of the Project Land is within Zone X - 500 year flood plain. There has been no flooding in the recent past. However, flooding is a potential risk, and the Association of Apartment Owners must decide whether to obtain flood insurance if such is available at reasonable cost.

(c) Presence of Arsenic. ESA indicates the existence of arsenic in the soil and in Waiakea Pond, resulting, the Report assumes, from the prior use of the site for a "canek" plant which treated its lumber with arsenic chemicals. (Canek is the name for a building material made from sugar cane.) The plant

operated from 1932 to 1963. The ESA concluded that based on a study by another company was low and that human health risk on account of the arsenic was low and below Environmental Protection Agency standards for being considered hazardous.

(d) Water Reservation and Water Features. The Project's common elements contain man-made ponds, streams and other water features. The Seller has reserved the exclusive right to use Building 12 and to use active and inactive wells located on the Project, together with the right to use Building 12, and the right to manufacture, process, pump and sell drinking water. The water under the Project's land area (including access to it through pumping facilities in Building 12) is reserved for the exclusive use of the Seller. The Seller has agreed to furnish the water required to service the Project's water features at a price based on its cost. This arrangement reserving the water rights is unusual. Obtaining water for the water features is more complicated than servicing other usual common elements in a project.

B. Disclosures Relating to the Buildings and the Apartments in the Project:

(a) Buildings are Common Elements and Common Expenses. All portions of the Buildings (other than the Apartments - which are deemed to be the airspace located within the walls, ceilings and floors) are considered to be common elements of the Project. All costs of repair, maintenance and replacement of the common elements are considered to be common expenses for which each Apartment Owner is assessed his share based on his common interest in the Project. An Owner should realize that he is liable for his share of the common expenses even if such costs relate to buildings other than the building in which his apartment is located. This is one reason that it is important that a Buyer have the opportunity to inspect all of the common elements, not only the building in which his apartment is located. Failure of an Apartment Owner to pay his share of the common expenses constitutes a default under the Declaration, for which a lien may be imposed on his Apartment and foreclosed on similarly to a mortgage in foreclosure.

(b) Presence of Asbestos and other hazardous materials. ESA indicates the existence of acceptable levels of several hazardous materials, such as PCBs and Radon. ESA also indicates the existence of Underground Storage Tanks and waste sites on land nearby, but not on, the Project Land. ESA concludes that such do not present hazards to the Apartment Owners.

Asbestos-containing materials were found in linoleum, vinyl tiles, coatings, wall and ceiling surface covering, thermal system insulation, and wall joint compounds used in the Project and in the Apartments. ESA recommended both a Phase II ESA and also an Operations and Maintenance Plan, neither of which has been undertaken.

Buyer is advised that asbestos materials are hazardous to one's health, particularly if asbestos fibers are released into the air and inhaled. In the past (before 1979, but possibly since) asbestos was a commonly used insulation material in heating facilities and in certain types of floor and ceiling materials, shingles, plaster products, cement and other building materials. Buyer is advised to make appropriate inquiry into the possible existence of asbestos on the property. Structures having "popcorn" or "cottage cheese" type ceilings may contain asbestos fibers or asbestos-containing material. Such ceilings should not be disturbed since it could release asbestos fibers in the air. Any disturbance should be done only by licensed abatement contractors. (Please also refer to Paragraph (B)(b) above.)

(c) Presence of Lead-based Paint. Buildings built before 1978 (such as the Project) are suspected to have lead-based paints. The analysis in the ESA indicated the presence of lead-based paints. ESA recommended both a Phase II ESA and also an Operations and Maintenance Plan, neither of which has been undertaken. (see also Attachment 2, Lead-based Paint Disclosure).

(d) Building Construction. The PCR disclosed a number of problems associated with the buildings in the Project. The problems included, among others, design problems with the roofing structures, which were likely to have been the primary cause of significant past and present damage to the roof and roofing of the Project. Other problems cited included extensive damage caused by termites and exposed rebar on concrete slabs. Some of these problems have been addressed by the Seller; others have not.

(e) Electrical Systems. The Project's electrical system was constructed for the Project's use as a hotel, not for its use as individual dwelling units, with each unit containing some or all of appliances such as refrigerators, microwave ovens and ranges, lighting, and televisions.

As to those apartments in which are presently located stoves or ovens, such units do not have enough electrical power

to permit the operation of all of the electrical appliances, fixtures and lights at the same time. If the electrical system is so utilized, such will result in tripping the breaker and power being turned off until breaker can be re-started.

As to those apartments in which stoves or ovens are not located, such units do not have enough electrical power so as to operate a stove or oven, and there is not sufficient electrical power to operate many of the appliances, fixtures etc. located within such apartments (ie, refrigerator, hot plates, microwave, TV, lights, etc.) at the same time. If the electrical system is so utilized, such will result in tripping the breaker and power being turned off until breaker can be re-started. Owners of those units may not install stoves and ovens.

Because of the lack of sufficient electrical power, no air conditioners (other than those installed at time of sale) shall be permitted, although ceiling and other electrical fans are permitted.

(f) Nonconformities. When the Project was built in the 1970s, it is likely that the Project met the zoning, building, electrical, plumbing and fire codes applicable to the Project. Since that time, it is likely that the codes may have changed. This means that the Buildings are considered to be legally nonconforming and can remain in their present state.

However, if a Building were substantially destroyed and rebuilt or renovated, its rebuilding or renovation would have to meet current codes. Thus, for example, if a building (which does not have fire sprinklers) were destroyed, the rebuilt building would be required to have fire sprinklers installed, as is required under the present Fire Code. The costs of replacing a nonconforming building could be greater than the value of any such destroyed or renovated building.

(g) Projected Common Expenses, No Guaranty. The Managing Agent has prepared a Reserve Study and an estimate of projected common expenses, the latter of which is included as an exhibit to the Final Public Report. This information is based on assumptions concerning repair and replacement costs, current state of repair, and estimated remaining life of items which would be replaced in the future. These assumptions may not prove to be correct and the costs relating to the common expenses should be expected to increase over time. Thus, the projected common expenses are not guaranteed to be the common expenses charged or that they will not increase over time.

(h) Rental Agreements. If the Apartment being purchased is currently subject to a Rental Agreement, there are risks associated with having a renter in the Apartment. Those risks include, among others, the failure of the tenant to pay the rent, the possibility that the tenant may cause damage to the apartment and the possibility that the tenant may be unwilling to vacate the Apartment after expiration of the term of the Rental Agreement. Moreover, Seller has made no representations as to rental or other income from any apartment, or any other economic benefit to be derived from the purchase of an apartment in the project including possible advantages from the ownership of an apartment under federal or state tax laws.

(i) Deferred Repair and Maintenance. The Disclosure Studies indicate, among other things, that construction of the project was completed over 30 years ago and that the Project has suffered from deferred maintenance. The Disclosure Studies disclose that portions of the Project, the common elements and the apartments are damaged, worn and in need of repair. Buyer understands and agrees that the apartment is being sold "as is" condition, and that Seller will make no warranties or promises (and has not authorized any agents, sales persons or brokers to make any warranties or promises) of any kind, express or implied, about the condition of the Apartment, the property or the Project (including the common elements of the Project), or about any furnishings, fixtures, appliances or other consumer products or anything else installed, attached, affixed or otherwise contained in the apartment, the property or the Project (including the common elements of the Project), including any warranties or promises of "merchantability", "workmanlike construction" or "fitness for a particular use or purpose".

(j) Parking. The Project contains 275 parking stalls located on the Project Land for the use of owners of 301 apartment units. Thus, the parking on the Project Land is limited. All parking stalls are unassigned and will be available on a first come-first-served basis as a common element. No Apartment Owner is entitled to the use of more than one parking stall on the Project Land. In the past, the Apartments in the Project have had the right to utilize 90 parking stalls on land owned by the County of Hawaii, as well as parking stalls on adjoining lands owned by Seller. The County also has certain rights to use parking stalls in the Project. Those contractual arrangements are terminable. It is expected that use of Parking stalls will be subject to rules and restrictions imposed by Association to ensure fair use of the stalls.

(k) Original use of the Project as Hotel. Buyer acknowledges that Seller was not involved in the original development of the Project and is not to be held responsible for the original planning, design or construction of the Project. Buyer further acknowledges that the Project was not designed for apartment and rental use, but was designed as the residential portion of a hotel. This may affect, among other things, the electrical capacity available for use of appliances by apartment owner. In the 1980s, the hotel was reconfigured by another person unaffiliated with the Seller, principally as a residential rental operation. Since that date, the Property has been the subject of foreclosure, and has suffered from deferred maintenance. The Seller has owned the Project for less than five years, during which time it has used the Apartments in the Project for residential rentals and for retail and commercial office purposes.

(l) Mold Disclosure. Buyer is advised that mold and/or other microscopic organisms may exist on the Project Land and in the Buildings. Molds are simple, microscopic organisms, present everywhere. Mold spores may cause health problems. Mold will grow and multiply whenever sufficient moisture, temperature and organic material are present. Real estate brokers and agents are not qualified to inspect the property for mold or to make recommendations or determinations concerning possible health or safety issues.

(m) Ongoing Construction. Buyer is advised that the developer of the Project has elected to re-construct what had originally been Building 6 (which had been destroyed by fire) with a new building, including 43 apartment units, which are to be added into the Project (the new building and additional apartments may be referred to as the "Wailoa Gardens Phase".) Construction of the first phase of Wailoa Gardens Phase has begun, and may be ongoing for a significant period. During such time, Buyer may suffer from conditions of noise, dust, inconvenience and other offensive aspects associated with ongoing construction.

C. Disclosures Relating to the Project Land and surrounding land areas:

(a) Volcanic Activity and Lava Hazard Zone.

(i) Volcanic Activity. The Island of Hawaii has several active and presently inactive volcanoes. Accordingly, there are times when air quality is affected by volcanic emissions known as "vog". Vog may affect persons with

respiratory problems if precautions are not taken. Buyer should contact the State of Hawaii, Department of Health, and other professionals for information about recommended precautions.

(ii) U.S. Department of the Interior, Geological Survey (USGS), has classified various "hazard zones" for lava flows. The location of such hazard zones may affect the availability, limits and cost of property and/or liability insurance. Other effects of volcanic activity that may occur include lava tubes and periodic earthquakes. Buyers are advised to seek professional advice and refer to USGS publication, "Volcanic and Seismic Hazards on the Island of Hawaii," for detailed information.

(iii) Lava Hazard Zone. Buyer is aware that the Property lies in Lava Hazard Zone 1 as identified by the U.S. Geological Survey and may be subject to an increased insurance premium and limitation on insurance coverage. Buyer is advised to contact an insurance agent pertaining to the availability of insurance and the costs. The Project may be prone to seismic and/or volcanic activity.

(b) Tsunami zone. Buyer is advised that the Project Land may lie in a "Tsunami Hazard" area and may be subject to building restrictions and problems obtaining insurance. Buyer should consult the appropriate County and State agencies. Buyers acknowledge property may be located in an evacuation zone.

(c) Aircraft Noise and Fly Overs. Buyer is advised that the Project Land and area are subject to fly-overs by various aircraft, including, among others, commercial, military and D.E.A. aircraft (Drug Enforcement Agency). Buyer is advised to contact appropriate federal, state or county government agencies for further information on this issue.

(e) Rainfall. Buyer is advised that portions of the Island of Hawaii (especially windward and mountain sections) (such as the Project area) receive large amounts of rainfall throughout the year. Occasionally, surface flooding may occur in roadways and on the property. Buyer should inspect the property and its access roads thoroughly, and consult with County Engineering Department or professional engineers regarding this.

(f) Archaeological Sites. Buyer is advised that although Seller is unaware of any archeological sites on the

Project Land, there could be archeological sites discovered, and such could be protected by law. Buyers should consult the appropriate agencies or archaeological professionals regarding possible archaeological sites on property.

(g) Tree Frogs. Buyer is advised of the presence of Caribbean Tree Frogs on the Big Island. It is possible that tree frogs may be present at the Project. Because tree frogs are nocturnal, it is unlikely that during the daylight hours, the Buyer would hear any of the chirping sounds that are associated with the frogs. Buyer is advised to inspect the Project in the evening hours to determine the level, if any, of frog infestation and frog chirping and whether such noise level is acceptable to the Buyer. Buyer should be aware that the level of noise may vary depending upon factors such as weather, temperature, time of night, increase or decrease in level of infestation and other variables. In addition, the success or failure of any government eradication program may also affect the level of the noise from frog chirping.

(h) Sex Offender Registration ("Megan's Law"). Hawaii has enacted a law requiring sex offenders to register with the Attorney General's office. Seller makes no representation as to whether or not the public will have access to this information. Neither Seller, nor any real estate agent, is required to obtain information regarding sex offenders.

(i) Hazardous Waste and Toxic Substances Disclosure. Buyer is advised that federal and state laws place strict liability on property owners for dangers caused by hazardous waste management and may require that such owner pay for the cost of the cleanup of hazardous substances and other toxic substances. Buyer is aware that Buyer should make appropriate inquiries into the past use of the Project Land and should seek an environmental assessment to ascertain the possible existence of such hazardous substances or materials on or under the Land even if Buyer did not cause such substances to be on or under the Property. (Please refer to Paragraphs B(b) and (c) above. The ESA is available for Buyer's review.)

List of Items Available For Buyer's Review

1. Phase I - Environmental Site Statement dated June 1997, prepared by J.R. Herold & Associates, Environmental Professionals
2. HUD 223(f) Engineering Inspection dated April 3, 2002
3. Property Condition Report dated November 28, 2001, prepared by EMG
4. Seismic Risk Assessment dated June 12, 1997

Caveats relating to Disclosure Statements. The Disclosure Studies were prepared at various times (some as much as three years prior to the Effective Date) and were prepared for purposes other than the offering of the sale of the Apartments. It is possible that facts and circumstances disclosed in such Studies or upon which the Studies may have been based may have changed, for the better or for the worse. Further, Buyer understands that (i) each of the Disclosure Studies is subject to various qualifying conditions, such as the limitation in the nature or completeness of the investigations made by the preparer of each of the Studies; (ii) the Studies may be preliminary and may contain recommendations for further investigation or corrective action, which Seller may or may not have done; and (iii) any executive summary contained in a Disclosure Study is qualified by the requirement to read the remainder of the Study.

EXHIBIT "L"

DEVELOPER'S RESERVED RIGHTS TO DEVELOP BUILDING 6 LOT.

Section 24 of the Amendment to Declaration of Condominium Property Regime States that:

(a) Building 6 Lot. The land on which that phase of the Project known as "Wailoa Gardens" (including its appurtenant rights) is located as shown on the Condominium Map may be hereinafter referred to as Building 6 Lot".

(b) Right to Develop Building 6 Lot.

(i) The interest of an Owner of a Apartment is subject to the right reserved in favor of the Developer to cause Building 6 Lot to be developed with a multifamily dwelling building and other improvements ("New Building 6") in order to replace the building previously destroyed by fire. Such development right shall include, without limitation, the right to create apartments within the New Building 6 and rights in favor of the Owners of the apartments within the New Building 6 (such apartments being referred to as "New Building 6 Apartments") to use and to designate common elements and/or limited common elements of the Project.

Concurrently herewith, Developer has exercised those rights with respect to the Wailoa Gardens, which is being added to the Project. In exercising such rights, Developer shall have the sole and absolute discretion with respect to such matters as the number, type and design of the New Building 6 Apartments and the exterior design and appearance of New Building 6 (which shall not be required to be harmonious with the exterior design and appearance of the remainder of the Project) and which common or limited common elements shall be made appurtenant to the New Building 6 Apartments. Developer shall have the right to change or even abandon all or portions of the Wailoa Gardens. (The foregoing rights are referred to collectively as "Developer's Reserved Development Rights").

Except as stated in this Section 24, the exercise of Developer's Reserved Development Rights shall be in Developer's sole and absolute discretion.

(c) Ancillary Rights. Developer's Reserved Developer's Reserved Development Rights shall include, among other things (i) the right to alter, improve, or extend any existing roadway or parking facility within the Project and other facilities for the benefit of the Building 6 Lot and/or the New Building 6 Apartments; and (ii) the right to seek on behalf of the Apartment Owners consents, permits and approvals to meet the requirements for building New Building 6, such requirements being those imposed by the County of Hawaii, State of Hawaii, the Recording Offices, Real Estate Commission, public utility companies, lenders and title companies and/or other persons and entities (collectively, the foregoing entities and persons may be referred to as "Development Entities") (collectively, the foregoing consents, permits, approvals and requirements of the Subdivision Entities may be referred to as "Subdivision and Building Requirements").

(d) Developer's Powers. In furtherance of the Developer's Reserved Development Rights, the Developer shall have the right, without being required to obtain the consent, approval or joinder of the Association or any person, including any Apartment Owner or any lien holder, or any other person who may have any interest in the Project or the Land (i) to execute and deliver (on behalf of all of the Apartment Owners and their respective mortgagees, if necessary) applications, petitions, agreements and other instruments which Developer deems necessary or desirable (including without limitation, applications and other to be filed or recorded with the Building Department, Planning Department or other entity of the County of Hawaii, the Recording Offices, governmental agencies and the Development Entities relevant to any of the foregoing; (ii) to deliver documents and to take such actions in connection with the foregoing as shall be in the sole and absolute discretion of Developer, and its delivery of such instrument or the taking of such action shall be sufficient determination; (iii) to amend the Declaration and the Condominium Map to reflect the development of the Wailoa Gardens phase of the Project; and (iv) to grant easements for access and utility purposes in favor of Building 6 Lot across the Land or granting easements for access and utility purposes in favor of the Project over Building 6 Lot.

(e) Omitted Intentionally.

(f) Amendments to Declaration and Condominium Map re: Developer's Reserved Development Rights.

(i) If the Developer shall have exercised the Developer's Reserved Development Rights, including causing to be built the New Building 6 and the New Building 6 Apartments and/or shall have changed or even abandoned portions or all of the Wailoa Gardens, then in any such event, the Developer shall cause to be amended the Condominium Map and the Declaration, and shall file them with the Recording Offices. Such amendments shall not require the consent, approval or joinder of the Association or any person, including any Apartment Owner or any lien holder, or any other

person who may have any interest in the Project or the Land. Such amendments to the Declaration and the Condominium Map shall contain at least the following items of information:

(aa) A description of the layout, location, dimensions and apartment number of each of the New Building 6 Apartments,

(bb) A description of the common elements and limited common elements appurtenant to the New Building 6 Apartments and the remaining Apartments in the Project;

(cc) The percentage of the common interest appurtenant to each Apartment (it being intended that the revised common interest appurtenant to each Apartment shall be calculated so as to be 100 multiplied by that fraction having as its numerator the approximate net living area contained in the Apartment and having as its denominator the approximate net living areas of all Apartments in the Project); and

(dd) An amendment to the Condominium Map which accurately depicts the layout, location, apartment numbers, and dimensions of the New Building 6 Apartments or any change thereto;

(ee) Upon the completion of any construction of the New Building 6 Apartments or making any changes thereto, the Developer shall file in the Recording Offices, and promptly deliver to the Board of Directors a true and correct filed copy of, a statement of a registered architect or engineer, certifying that the amendment described in clause (aa) above accurately depicts the New Building 6 Apartments, as built;

(ff) Any such other matters necessary or desirable to reflect any such change to the Project.

(ii) Concurrently with the first filing in the Recording Offices of the amendments to the Condominium Map and the Declaration, all of the Apartment Owners and any lien holder, or any other person who may have any interest in the Project or the Land shall convey to one another their respective common interest, determined as stated in Subparagraph (i)(cc) above.

(g) General Terms and Conditions to Developer's Reserved Development Rights. Any exercise of the Developer's Reserved Development Rights shall be subject to the following conditions:

(i) Developer's actions shall conform and comply with County building, zoning and other applicable County laws and ordinances and shall conform and comply with applicable State law.

(ii) Developer shall not commence construction of the New Building 6 until after amending the Declaration and Condominium Map so New Building 6 (or the New Building 6 Apartments) shall constitute one or more separate condominium apartments added to the Project, so that the Apartments other than those in the Wailoa Gardens shall not be subject to any liens on account of Developer's development of Wailoa Gardens.

(iii) All costs and expenses related to the exercise of Developer's Reserved Rights shall be paid for by the original Apartment Owners harmless therefrom.

(v) If the Developer exercises its Developer's Reserved Development Rights , any work done in accordance therewith shall be commenced promptly, proceed diligently once begun and shall be completed expeditiously, so as not to interfere unreasonably with another Apartment Owner's use or enjoyment of his Apartment or the Common Elements.

(vi) During the entire course of work undertaken by Developer in exercising its Developer's Reserved Development Rights , Developer will cause to be maintained at its expense builder's all-risk insurance in an amount considered prudently prudent for any such work. At the request of the Association, the Association shall be named as an additional insured and evidence of such insurance shall be deposited with the Association.

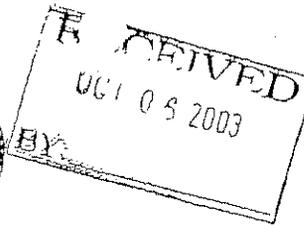
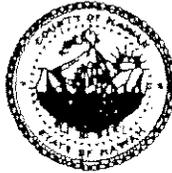
(vii) Developer in exercising its Developer's Reserved Development Rights shall have the right to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for services to the Building 6 Lot for electricity, sewer and other utilities and services and when applicable, to add, delete, relocate, realign, designate and grant easement and rights-of-way over, under and on the Common Elements as necessary or desirable in connection therewith; provided that the same shall not cause any substantial interruption in the services of such utilities to any other Apartment Owners and shall not otherwise unreasonably interfere with other Apartment Owner's use or enjoyment of its Apartment or the Common Elements.

(viii) Right to Assign. All rights and easements reserved to the Developer in this Declaration may be assigned by the Developer absolutely or by way of security at any time, in whole or in part, with or without an Apartment, to any other person, without notice to or the consent or joinder of the Association or any Owner, lien holder or any other person other than the Developer's mortgagees whose prior written consent shall be obtained.

(ix) Severability. If any one or more of the provisions of this Section 24 shall be declared to be contrary to law, then such provision or provisions shall be null and void and shall be deemed separable from the remaining provisions of this Section 24 and shall in no way affect the enforceability of any other provision hereof.

End of EXHIBIT "L"

Harry Kim
Mayor



Christopher J. Yuen
Director

Roy R. Takemoto
Deputy Director

County of Hawai'i

PLANNING DEPARTMENT

101 Pauahi Street, Suite 3 • Hilo, Hawaii 96720-3043
(808) 961-8288 • Fax (808) 961-8742

September 25, 2003

Mr. Stanley Panko
Panko Architects
311 Seventh Avenue
San Mateo, CA 94401

Dear Mr. Panko:

Condominium Registration Information

Project: Waiakea Villas Condominium Project
Developer: Fujiyama Development Corporation
Tax Map Key: (3) 2-2-030:003

This is in response to your letter, dated September 9, 2003 requesting that, pursuant to Section 514A-40, Hawaii Revised Statutes (HRS) we "furnish the Real Estate Commission with a verified statement that the existing apartment in the proposed Project was in compliance with all ordinances, codes, rules, regulations, and other requirements in force at the time of its construction and that we inform the Commission whether any variance has been granted from any ordinance, code, rule, regulation, or any other requirement in force at the time of their construction or from any current ordinance, code, rule, regulation, or other requirement."

For your information, §514A-40, HRS, deals with the requirements necessary before the issuance of a final effective date by the Real Estate Commission (REC). Part "b", Item "1" of §514A-40 requires a "verified statement signed by an appropriate county official that the project is in compliance with all zoning and building ordinances and codes applicable to the project, and specifying, if applicable

- (A) Any variances which have been granted to achieve such compliance; and
- (B) Whether the project contains any legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes.

Therefore, our response to your request, pursuant to §514A-40, HRS, is as follows.

Mr. Stanley Panko
Panko Architects
Page 2
September 25, 2003

The subject 7.682-acre property is a split-zoned parcel with a portion being General Commercial (CG-7.5) and another portion being Hotel-Resort (V-7.5) by the County. The entire property is situated within the State Land Use Urban district and is in the Special Management Area (SMA).

The existing buildings on the property were constructed in compliance with all zoning ordinances and codes applicable to said buildings. A statement of compliance with all building codes should be requested from the Department of Public Works – Building Division.

No non-conforming uses or structures have been identified on the subject property.

Variance No. 67 was approved on July 18, 1981 to allow a 24 percent compact parking stall ratio in lieu of the maximum code allowance of 10 percent for the Sheraton Waiakea Village and commercial complex.

Should you have questions, please feel welcome to contact Daryn Arai Larry Brown at 961-8288.

Sincerely,



CHRISTOPHER J. YUEN
Planning Director

LMB:pak

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xc: Real Estate Commission – Condominium Review Committee

END OF EXHIBIT "M"