

REAL ESTATE COMMISSION

PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS
STATE OF HAWAII

1010 RICHARDS STREET
P. O. BOX 3469
HONOLULU, HAWAII 96801

**PRELIMINARY
HORIZONTAL PROPERTY REGIMES (CONDOMINIUM)
PUBLIC REPORT**

on
PALEHUA NANI-PHASE 2
92-1226, 92-1246 and 92-1250 Makakilo Drive
Ewa Beach, Hawaii

REGISTRATION NO. 1619

IMPORTANT — Read This Report Before Buying

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

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

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

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

Issued : August 16, 1984
Expires: September 16, 1985

SPECIAL ATTENTION

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

THE REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED ON JULY 16, 1984, AND INFORMATION SUBSEQUENTLY FILED AS OF AUGUST 13, 1984. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY ACT, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

1. PALEHUA NANI-PHASE 2 is a fee simple condominium project consisting of 3 multi-family residential buildings containing 21 residential units. There will be 39 uncovered parking stalls in the project for owners. (21 regular and 18 compact stalls).

2. PALEHUA NANI-PHASE 2 is one phase of a proposed 3 phase project. The Developer has reserved the right to develop 2 additional condominium projects. The Developer's present plans show that the 3 phases will be built on 3 lots, comprising approximately 312,577 square feet of land, which will contain approximately 91 apartments, together with such supporting and servicing common elements which the Developer determines in its sole discretion would be beneficial to each project. The Developer has also reserved the right to merge the project with one or more of the other phases at any time prior to 5 years from the date of filing of the Declaration. A description of the other phases is contained in the topical heading MERGER OF ADDITIONAL PHASES set forth below. The subdivision map showing the aforesaid 3 lots has been approved by the Department of Land Utilization of the City and County of Honolulu, but has not yet been approved by the Judge of the Land Court of the State of Hawaii nor filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.
3. The Developer is attempting to arrange for the financing of purchases of apartments in the project by way of mortgages insured by the Department of Housing and Urban Development pursuant to Section 234 of Title II of the National Housing Act and by way of mortgages guaranteed by the Veterans Administration under Section 1810(a)(6) of Title 38 of the U.S. Code. As a condition of its providing such insurance, the Department of Housing and Urban Development will require that the Association of Apartment Owners of the project enter into with the Department and record a Regulatory Agreement whereby the Association may be regulated and restricted by the Department. The Regulatory Agreement will be executed by the Developer for and on behalf of the Association and recorded with the Declaration. Purchasers of apartments in the project should, therefore, familiarize themselves with the provisions of the Regulatory Agreement.
4. The Developer of the project has submitted to the Commission for examination all documents deemed necessary for the registration of a condominium project and issuance of this Preliminary Public Report. The Developer is held responsible for placing this Preliminary Public Report (yellow paper stock) and Disclosure Abstract in the hands of all purchasers and prospective purchasers and securing a signed copy of the receipt therefor.
5. The basic documents (Declaration of Horizontal Property Regime, Bylaws of Association of Apartment Owners and a copy of the floor plans of the project) have not yet been filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.

6. Advertising and promotional matter has been submitted to the Commission.
7. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, and the Rules and Regulations which relate to Horizontal Property Regimes.
8. This Preliminary Public Report automatically expires thirteen (13) months after date of issuance, August 16, 1984, unless a Final or Supplementary Public Report issues or the Commission, upon review of the registration, issues an order extending the effective period of this report.

NAME OF PROJECT: PALEHUA NANI-PHASE 2

LOCATION: The land, consisting of one (1) parcel containing 64,061 square feet, is situate at Makakilo Drive, Ewa Beach, Hawaii. The lot on which the project will be constructed has not yet been subdivided but preliminary approval by the City and County of Honolulu through the Department of Land Utilization for the subdivision of said lot was received on May 10, 1984.

TAX KEY: First Division, 9-2-19-45 (portion).

ZONING: The land is zoned A-1 Apartment District.

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

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

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

DESCRIPTION: The project shall consist of 21 condominium apartments contained in 3 multi-family residential buildings.

Each building will be constructed principally of wood framing with reinforced concrete foundations and slab-on-grade. There are no basements.

The apartments shall be of four types in this project, designated as Type A, Type A1, Type B, Type C and Type D. An "R" in the designation indicates the reverse of the apartment type designated by the letter preceding the "R".

Type A - The Type A apartment is a two-story apartment which contains 7 rooms. On the first floor are located an entry and storage closet, a living room, a kitchen/dining room, a pantry, a lanai, with a utility closet containing a water heater and a washer and a dryer, and an exterior storage closet. On the second floor are located 3 bedrooms with closets, 2 bathrooms and a linen closet. Interior stairs connect the two floors.

First Floor Net Area	484	
Second Floor Net Area	628	
Subtotal	<u>1112</u>	square feet
Exterior Storage	36	
Entry	23	
Lanai	77	
Total	<u>1248</u>	square feet

* * *

Type A1 - The Type A1 apartment has the same layout and number of rooms as the Type A apartment but its size is slightly smaller.

First Floor Net Area	481	
Second Floor Net Area	625	
Subtotal	<u>1106</u>	square feet
Exterior Storage	36	
Entry	23	
Lanai	77	
Total	<u>1242</u>	square feet

* * *

Type B - A Type B apartment is found only on the first floor of a building. The Type B apartment is located on one level and contains 6 rooms. The apartment contains an entry, a living/dining room, a kitchen, 2 bedrooms with closets, 2 bathrooms, 2 hall closets, a utility closet with a stacked washer and dryer, a lanai and an exterior storage closet.

Net Area	806	
Exterior Storage	7	
Entry	30	
Lanai	69	
Total	<u>912</u>	square feet

* * *

Type C - A Type C apartment is found only on the second floor of a building reached by interior stairs. The Type C apartment is located on one level but is connected to the ground floor by an interior stairway and entry with a closet. The apartment

also contains a living/dining room, a kitchen with a nook, a pantry, 2 bedrooms with closets, 2 bathrooms, a hall closet and a utility closet with a stacked washer and dryer.

Net Area (including stairs)	976
Entry	25
Lanai	61
Total	<u>1062</u> square feet

* * *

Type D - A Type D apartment is found only on the first floor of a building. The Type D apartment is located on one level and contains 6 rooms. The apartment contains an entry, a living/dining room, a kitchen, 2 bedrooms with closets, 2 bathrooms, 2 hall closets, a utility closet with a stacked washer and dryer, a lanai and an exterior storage closet.

Net Area	806
Exterior Storage	7
Entry	30
Lanai	69
Total	<u>912</u> square feet

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

COMMON ELEMENTS: The proposed Declaration states that the common elements shall include:

- (a) The land in fee simple;
- (b) All foundations, floor slabs, columns, supports, retaining walls, fences, unfinished perimeter walls, exterior stairs and load-bearing walls and roofs of the buildings;
- (c) All mailboxes, yards, grounds and landscaping, roads, walkways, driveways, refuse facilities and building and address signs;
- (d) All ducts, conduits, electrical and mechanical equipment, wiring, pipes and other central and appurtenant

transmission facilities and installations for services, such as power, light, sewer, water, drainage, telephone and radio and television signal distribution over, under and across the project which serve more than one apartment;

- (e) Any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance and safety, or normally in common use.

LIMITED COMMON ELEMENTS: The proposed Declaration provides that certain parts of the common elements, called and designated as limited common elements, shall be for the exclusive use and enjoyment of certain apartments, as follows:

- (a) Each apartment shall have appurtenant thereto an exclusive right to use the parking stall(s) assigned to such apartment as set forth in Exhibit "A" attached hereto; provided, however, that each apartment shall have at least one parking stall appurtenant to it but otherwise any parking stall may be conveyed and made appurtenant to another apartment by a written instrument which expressly identifies the apartment to which the parking stall is appurtenant as well as the apartment to which the parking stall will become appurtenant, which written instrument shall also be denominated an amendment of this Declaration, shall be executed by the owner of each apartment affected, with the consent of the mortgagee, if any, of each apartment affected, and shall be effective upon the filing of the instrument in the Office of the Assistant Registrar of the Land Court of the State of Hawaii. A copy of said instrument, together with the filing data, shall be given to the Association by the affected apartment owners within 15 days of the filing thereof.
- (b) The fenced yard area adjoining the front, rear or side of an apartment, as the case may be, is designated as a limited common element appurtenant to and for the exclusive use of such apartment as follows: Apartment Types A, A1 and D have front and rear yards and Apartment Type C has the use of a side yard area. The general location of the fences is shown on the site and fencing plans filed as part of the Condominium Map but the actual height, location and placement of the fences may vary on account of the topography. Each apartment shall be responsible for the maintenance of such yard area and also for the maintenance and repair of any planter boxes located within the yard area and any walkway between the fence line and the entry to the apartment to which such walkway leads.

EASEMENTS: The proposed Declaration provides that the apartments and common elements shall have and be subject to the following easements:

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

due to the same shall be permitted, and a valid easement for such encroachment and the maintenance thereof shall and does exist for so long as such encroachment continues.

- (d) The Association of Apartment Owners of the project shall have the right, to be exercised by its Board of Directors or Managing Agent, to enter any apartments and limited common elements from time to time during reasonable hours as may be necessary for the operation of the project or for the installation, repair or replacement of any common elements or at any time for making emergency repairs therein required to prevent damage to any apartments or common elements.
- (e) Upon written approval by the Board of Directors of the Association of Apartment Owners of the project of the installation of a solar energy system or device to serve any apartment in the project, such apartment shall have an easement in its favor to place, maintain and operate such solar energy system or device on the roof of the building in which such apartment is located and over, across and through such other common elements of the building as shall be reasonably required in connection with the operation and repair of the solar energy system or device serving such apartment; subject to such conditions as the Board shall impose. Upon the installation of such a system or device, it shall be considered a fixture and a part of the apartment which it serves. Such a system may be removed by its owner at such owner's sole expense upon written notice to the Board, but such owner shall be obligated to repair any damage to the roof or other common elements of the building affected by such removal.

The owner of each such system shall keep his system in working order and good condition at all times and shall not abandon the same; provided, however, that if any owner is in default under any provision contained in this subparagraph, the Board may correct such violation and recover its expenses, including a reasonable attorney's fee, from the owner in default.

- (f) Each apartment shall have appurtenant thereto, and each Apartment Owner shall have, an easement over and across any driveways over and across Palehua Nani-Phase 1 for access purposes in common with the owners of apartments in Palehua Nani-Phase 1. All expenses attributable to any such driveways for maintenance, administration and all other expenses shall be shared by owners of all apartments having the right to use such driveways in proportion to the ratio that the common interest appurtenant to each such apartment bears to the total of the common

interests of all apartments in Palehua Nani-Phase 1 and Palehua Nani-Phase 2 until Palehua Nani-Phase 2 has been completed and merged with Palehua Nani-Phase 1 or until such time as the development of Palehua Nani-Phase 2 has been terminated or abandoned, and until such time the Developer shall pay for the remainder of all expenses attributable to such driveways which are not assessable. After Palehua Nani-Phase 2 has been developed, if the two phases are not merged, the owners of the apartments in both phases shall nevertheless share the aforesaid expenses in proportion to the ratio that the common interest appurtenant to each such apartment bears to the total of the common interests of all apartments in both phases.

After the merger of all phases of Palehua Nani, all driveways in all phases shall be considered common elements for the use of all owners of apartments in every phase and the expenses attributable to the driveways shall be common expenses.

- (g) If any additional condominium projects are developed in accordance with the proposed Declaration, and are merged with this condominium project as provided for in Paragraph X of the Declaration, each apartment and each apartment owner in this condominium project shall have a perpetual easement in the common elements of such other condominium projects and each apartment and each apartment owner in such other condominium projects shall have a perpetual easement in the common elements of this condominium project for the following reciprocal purposes: (a) to maintain, use, repair and replace all existing storm sewerage systems and walkways and roadways used by the owners in the condominium projects as ingress or egress to their property; (b) for the underground installation, maintenance, use and repair of any pipes, cables or other conduits for liquids or energy supplying water, sewerage, telephone, radio, television, electricity, heat or other similar services to the condominium projects; subject, however, to the provision that where the work to be done is not a repair or replacement of any existing facility it shall be done only with the written permission of the Association of Apartment Owners; and (c) to use and maintain recreational areas, refuse facilities, maintenance buildings and the resident manager's apartment in accordance with their intended purposes.

INTEREST TO BE CONVEYED TO PURCHASER. Each apartment shall have appurtenant thereto the undivided percentage interest in all common elements of the project as set forth in Exhibit "A" attached hereto and the same proportionate share in the common profits and expenses of the project and for all other purposes, including voting; provided, however, that said proportionate

share in the common profits and expenses of the project for each apartment shall be subject to change in accordance with the merger provisions of the Declaration discussed below under MERGER OF ADDITIONAL PHASES.

PURPOSE OF BUILDING AND RESTRICTIONS AS TO USE: The proposed Declaration provides that the apartments shall be occupied and used only as private dwellings by the respective owners thereof, their tenants, families, domestic servants and social guests, and for no other purpose.

The apartments shall not be rented for transient or hotel purposes, which are defined as (a) rental for any period less than 30 days, or (b) any rental in which the occupants of the apartment are provided customary hotel services such as room service for food and beverage, maid service, laundry and linen or bell-boy service. Except for such transient or hotel purposes the owners of the respective apartments shall have the absolute right to lease such apartments provided that all leases of such apartments shall be in writing and shall be subject to all provisions of the Declaration and the Bylaws and the Regulatory Agreement.

OWNERSHIP OF TITLE: The fee simple title to the land is vested in the Developer.

ENCUMBRANCES AGAINST TITLE: A Preliminary Report prepared by Security Title Corporation and dated April 9, 1984, as updated as of July 5, 1984 and as clarified by the Developer's certification as to encumbrances, shows that the land is subject to the following encumbrances:

1. For any taxes that are due and owing and a lien on the land, reference is made to the Office of the Tax Assessor, First Division.
2. Mortgage dated October 3, 1980, filed in the Office of the Assistant Registrar as Document No. 1035112, and also recorded in the Bureau of Conveyances of the State of Hawaii in Liber 15039, at Page 735, made by Finance Realty Company, Limited, as Mortgagor, to Bank of Hawaii, as Mortgagee, and Additional Charge Mortgage dated June 3, 1983, filed as Document No. 1174214.
3. Unilateral Agreement and Declaration for Conditional Zoning dated July 21, 1983, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 17200, at Page 107.
4. Designation of Easement 883, as shown on Map 286, as set forth by Land Court Order No. 48686, filed November 14, 1977.
5. Grant dated September 7, 1979, filed in the Office of the Assistant Registrar as Document No. 980823 in

favor of Hawaiian Electric Company, Inc., granting a perpetual right and easement through and under Easement 883.

6. Mortgage dated February 21, 1984 in favor of Finance Factors, Limited, filed as Document No. 1228696.

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

The Association may assess each apartment owner for the expenses of the Palehua Community Association, including but not limited to the maintenance of common areas and facilities.

PURCHASE MONEY HANDLING: A copy of the Escrow Agreement dated July 12, 1984, by and between Bank of Hawaii, a Hawaii corporation, as Escrow, and Finance Realty Company, Limited, a Hawaii corporation, as Seller, has been submitted to the Commission as part of this registration. On examination the Escrow Agreement and the specimen Sales Contract are found to be in compliance with Chapter 514A, Hawaii Revised Statutes, as amended. The provisions of the Sales Contract should be carefully read by the purchasers. The specimen Sales Contract recites the conditions under which the purchaser acknowledges receipt of the Public Report.

The specimen Sales Contract provides among other things that Purchaser agrees that all rights of the purchaser are and at all times subject and subordinate to the lien of any mortgage to a lending institution, and to all advances, modification, extensions and renewals thereof, made to finance the cost of construction of the project.

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

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

REGULATORY AGREEMENT: The Developer intends to qualify this project for home mortgage insurance under Section 234 of the National Housing Act. As a condition for qualification, the Developer shall enter into a Regulatory Agreement with the Federal Housing Commissioner which governs the management, operation and maintenance of the project in accordance with standards required by the Federal Housing Commissioner. The project shall be subject to the Regulatory Agreement, a copy of which has been filed with the Commission.

MERGER OF ADDITIONAL PHASES: In Paragraph X of the proposed Declaration, the Developer has reserved the right to merge the project with any one or more of three additional condominium projects. The Declaration, in Paragraph X, provides in part, as follows:

1. This project is the first phase of a proposed multi-phase project as described in said Paragraph X, which may be developed in two or more phases, all at the option of the Developer. The purpose of the merger provisions of said Paragraph X is to provide for a merger of all phases so as to permit the joint use of the common elements of each project by all of the owners of the apartments in the merged projects and the administration of all projects under a single association of apartment owners and board of directors for the merged projects and for a sharing of the common expenses of all projects among all of the owners of apartments in the merged projects. A merger may occur with respect to the first phase with the second phase or any subsequent phases, or any one of them, at the same or different times and merger with respect to one of said phases shall not affect the right of the Developer to merge another phase or phases at a later date subject to all of the provisions of the proposed Declaration. The right of the Developer to merge any and all phases shall end five (5) years after the filing of the Declaration.
2. The Developer has reserved the right at its option, at any time up to, but not later than five (5) years after the filing of the Declaration, to develop approximately 70 additional apartments, together with such supporting and servicing common elements which the Developer determines in its sole discretion are beneficial to the project, on up to approximately 249,054 square feet of adjoining land, which land is described below. Such additional apartments may be developed in phases as described below, provided,

however, that any such phases shall be owned or controlled by Developer or shall have been developed by Developer:

- (a) Phase 1: Approximately 47 apartments on a Lot of 3.196 acres.
- (b) Phase 3: Approximately 23 apartments on a Lot of 2.513 acres.

All improvements in Palehua Nani-Phase 1 and Palehua Nani-Phase 3 shall be consistent with the improvements in Palehua Nani-Phase 2 in terms of quality of construction, building types, architectural style and size of units, shall be as described herein and in Exhibit "B" attached hereto and shall be substantially completed prior to merger, but the improvements of Palehua Nani-Phase 1 shall be consistent in terms of quality of construction and architectural style but the building types and size of units may be different from the other phases because of the designation of the units in Palehua Nani-Phase 1 for low or moderate income housing. The facilities which shall be for the common use of all owners in merged phases are the resident manager's apartment and maintenance building in Phase 1 and the driveways in all phases. If Developer in connection with the development of any project on adjoining land substantially departs from the overall development plan described in this paragraph and in Exhibit "B", Developer shall obtain the prior written approval of the Secretary of Housing and Urban Development, which approval shall not be unreasonably withheld, and, prior to the merger of any such project with a previously completed phase or previously merged phases, Developer must obtain the written approval of 67% of the owners of said phase or phases and the written approval of the holders of first mortgages on apartments in said phase or phases to which at least 51% of the votes of apartments subject to such mortgages are allocated.

If Developer decides not to develop any portion of the land described above as part of Palehua Nani, Developer may unilaterally file in the Office of the Assistant Registrar of the Land Court of the State of Hawaii a notice of withdrawal with respect to the land affected, which withdrawal shall have the effect of freeing such land from any further involvement with Palehua Nani and from the encumbrance of any reference to said land contained in any Declaration of Horizontal Property Regime of any phase of Palehua Nani previously filed in said Office.

- 3. Merger shall take effect with respect to a particular additional phase upon the occurrence of all of the following conditions with respect thereto (quoted from the proposed Declaration):

- (a) Filing in the Office of the Assistant Registrar of the Land Court of the State of Hawaii by the Developer of a Declaration of Horizontal Property Regime and Bylaws covering the additional phase in a form substantially identical hereto (except for the descriptions of apartments, the common elements and the percentage of common interest appurtenant to each apartment and except for such matters as may be required to conform to any amendments of Chapter 514A, Hawaii Revised Statutes, enacted subsequent to the filing hereof) and a Condominium Map depicting the plot and floor plans of the additional phase, both complying with the requirements of Chapter 514A, Hawaii Revised Statutes, as amended; and
- (b) Recordation in the Office of the Assistant Registrar of the Land Court of the State of Hawaii by the Developer of a "Certificate of Merger", which certificate shall contain:
 - (i) A certification by a Hawaii registered architect or professional engineer that the final plans theretofore filed for the phases being merged, or being filed simultaneously with such certificate, fully and accurately depict the layout, location, apartment numbers, dimensions and elevations of the apartments of the phases being merged, as built;
 - (ii) A certification by Developer that the phase has been substantially completed, that a notice of completion has been filed and that the period for filing of mechanics' and materialmen's liens has expired or, if not expired, that Developer has obtained a title policy insuring against all such liens which may be filed prior to the expiration of the period;
 - (iii) A certification by Developer that all real property taxes and assessments due from the phases being merged and for which Developer is liable have been paid; and
 - (iv) A certification by Developer that 70% of the total value of all of the apartments in each phase being merged has been sold by Developer, except that, if the Secretary of Housing and Urban Development has approved a lower percentage of the total value, and Developer has attained such percentage, Developer shall certify to such lower percentage.

4. From and after the date of the recordation of said Certificate of Merger with respect to a particular additional phase, the following consequences shall ensue:
- (a) Use of Common Elements. The apartments in each of the merged phases shall have nonexclusive rights to use the common elements in each phase to the same extent and subject to the same limitations as are imposed upon an apartment in each phase. Each owner in each phase shall have the same rights of use with respect to the common elements in all merged phases as though the merged phases had been developed as one project.
 - (b) Common Expenses. Each phase will bear a proportionate share of the total common expenses of the merged phases, as the term "common expenses" is defined in the Declarations of the merged phases. For each phase such proportionate share shall be equal to the ratio that the aggregate of the net living floor areas of all apartments in the phase bears to the aggregate of the net living floor areas of all apartments in the merged phases. The "net living floor area" of an apartment includes the total net living floor area of the apartment, exclusive of exterior storage closets, garages, lanais and decks. Each apartment owner's proportionate share of the total common expenses of the merged phases shall be determined by multiplying the common interest appurtenant to an apartment by the proportionate share of the total of the common expenses allocated to the phase in which the apartment is located.
 - (c) Voting. Each of the merged phases shall be entitled to vote the same proportionate share of the total votes of the merged phases as is set forth above for the sharing of common expenses. An apartment owner's vote, therefore, on all matters relating to the administration, operation and use of the merged phases, the sharing of common expenses and all other matters which arise out of the affairs of the Association of Apartment Owners of the merged phases shall be determined by multiplying the common interest appurtenant to an apartment by the proportionate share of the total common expenses allocated to the phase in which the apartment is located.
 - (d) Association of Owners. The Association of Apartment Owners of each merged phase provided for in its respective Declaration shall be merged into a single association and such single association shall enter into a Regulatory Agreement with the Secretary of Housing and Urban

Development under which the association shall assume all of the responsibilities of the Associations of the Apartment Owners under the Regulatory Agreements of each merged phase.

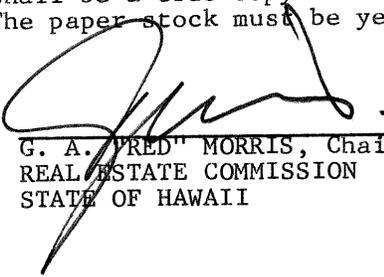
- (e) Election of Board. Within sixty (60) days following each merger, a special meeting of the single association of the owners of the merged phases shall be called to elect a new Board of Directors to replace the existing Boards of Directors and to govern the merged phases. The procedure for calling and holding such meeting and all other meetings of the Association shall be that as set forth in the Declaration and Bylaws. The number of the Directors of the Association of Apartment Owners of the merged phases shall be nine (9).
- (f) Interpretation. For the purposes of administration and use of the merged phases, the phases after merger shall be treated as part of a project developed as a whole from the beginning. It is the purpose hereof to provide that from and after the date of merger all of the projects so merged shall be treated for purposes of administration, use and sharing of common expenses as though they had been developed, divided into apartments and used by the owners thereof as a single undivided project.
- (g) Ownership. The merger shall affect the administration and use of the phases and the sharing of common expenses, but shall not affect the ownership of apartments and their appurtenant common interests in their phases. As to all matters arising under this Declaration which concern the rights of the apartment owners with respect to this phase alone and for which a vote may be required, each apartment owner's vote shall be equal to the common interest appurtenant to the apartment owner's apartment.

STATUS OF THE PROJECT: The Developer reports that construction of the project is scheduled to commence in December, 1984.

The purchaser or prospective purchaser shall be cognizant of the fact that this published report represents information disclosed by the Developer in the required Notice of Intention submitted July 16, 1984 and information subsequently filed as of August 13, 1984.

This PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1619 filed with the Commission on July 16, 1984.

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



G. A. "RED" MORRIS, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

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

REGISTRATION NO. 1619

August 16, 1984

Schedule of Common Interests
and Parking Stall Assignments

The common interest for an apartment was determined by taking the net living floor area of the apartment and dividing that figure by the aggregate of the net living floor area for all apartments in the project, with minor adjustments to bring the total percentage to 100%.

<u>Building No.</u>	<u>Apt. No.</u>	<u>Apt. Type</u>	<u>Approximate Net Living Floor Area</u>	<u>Parking Stall No(s).</u>	<u>Percentage Interest</u>
1	1	CR	976	1, 7C	4.4384
1	2	BR	806	2	3.6653
1	3	AlR	1106	8C, 13	5.0295
1	4	Al	1106	9C, 14	5.0295
1	5	AR	1112	10C, 15	5.0569
1	6	A	1112	11C, 16	5.0569
1	7	AR	1112	12C, 17	5.0569
6	56	A	1112	70, 77C	5.0569
6	57	AR	1112	71, 78C	5.0569
6	58	A	1112	72, 79C	5.0569
6	59	AlR	1106	73, 80C	5.0295
6	60	Al	1106	74, 81C	5.0295
6	61	D	806	75	3.6653
6	62	C	976	76, 82C	4.4383
7	63	A	1112	6C, 85	5.0569
7	64	AR	1112	5C, 86	5.0569
7	65	A	1112	4C, 87	5.0569
7	66	AlR	1106	3C, 88	5.0295
7	67	Al	1106	83C, 89	5.0295
7	68	D	806	90	3.6653
7	69	C	976	84C, 91	4.4383
			<u>21990</u>		<u>100.0000</u>

Note: A "C" after a parking stall number indicates a compact parking stall.

(a) Phase 1 will consist of a lot of approximately 3.196 acres in which will be constructed 47 apartments in 4 2-story buildings, each containing 12 apartments, except that one unit in Building No. 2 will be a common element set aside for the use of the resident manager. The types of apartments will be as follows:

<u>Apartment Type</u>	<u>Number of Apartments</u>
E	16
ER	15
E1	8
ElR	8
	<u>47</u>

(b) Phase 3 will consist of a lot of approximately 2.513 acres in which will be constructed 23 apartments in 3 2-story buildings, two of which will contain 7 apartments each and the third of which will contain 9 apartments. The types of apartments will be as follows:

<u>Apartment Type</u>	<u>Number of Apartments</u>
A	3
AR	6
A1	4
AlR	4
BR	3
CR	3
	<u>23</u>