

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

MILILANI TERRACE - PHASE III
Mililani Town, Oahu, Hawaii

REGISTRATION NO. 1754

IMPORTANT — Read This Report Before Buying

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

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

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

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

Issued: April 29, 1986
Expires: May 29, 1987

SPECIAL ATTENTION

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

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED ON APRIL 8, 1986 AND INFORMATION SUBSEQUENTLY FILED AS OF APRIL 21, 1986. 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. MILILANI TERRACE - PHASE III is a proposed leasehold condominium project (hereinafter called the "Project") consisting of thirteen (13) separate two-story buildings, without basements, containing a total of fifty-six (56) residential apartments, and a one-story Maintenance Building, without basement, together with other improvements, all to be built in accordance with floor plans filed with the Real Estate Commission. The Project will also contain eighty-one (81) regular size, uncovered parking stalls and thirty-two (32) compact size, uncovered parking stalls. Nine (9) of these stalls will be for guest parking.

2. The Developer of the Project has submitted to the Commission for examination all documents considered necessary for the registration of this condominium project and issuance of this Preliminary Public Report. The Developer will be responsible for placing this Preliminary Public Report (yellow paper stock) and Disclosure Abstract in the hands of all purchasers and prospective purchasers. The Developer will also be responsible for obtaining a signed copy of the receipt therefor from each purchaser and prospective purchaser.

3. The basic documents (the Declaration of Horizontal Property Regime, the By-Laws of the Association of Apartment Owners, and the Condominium Map) have not yet been filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.

4. No advertising or promotional material has been submitted pursuant to the rules and regulations issued by the Real Estate Commission.

5. 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 of the Hawaii Real Estate Commission which relate to horizontal property regimes.

6. This Preliminary Public Report automatically expires thirteen (13) months after the date of issuance, April 29, 1986, unless a Supplementary or Final Public Report is issued or unless the Commission, upon review of the registration, issues an order extending the effective period of this report.

NAME OF PROJECT: MILILANI TERRACE - PHASE III

LOCATION: The Project is located in Mililani Town, Oahu, Hawaii, on approximately 138,671 square feet of land, described as Lot 9460-C, as shown on Map 639 of Land Court Application No. 1000.

TAX KEY: First Division: 9-5-34: 91

ZONING: A-2

DEVELOPER: Mililani Town, Inc., a Hawaii corporation, whose principal place of business is 130 Merchant Street, 21st Floor, Honolulu, Hawaii 96813, and whose post office address is P.O. Box 2780, Honolulu, Hawaii 96803. The current officers of the corporation are as follows:

Wallace Miyahira	President
Stanley Lee	Vice President, Secretary and Treasurer
Eugene Ferguson	Vice President
Beverly Garcia	Controller

ATTORNEY REPRESENTING DEVELOPER: Goodsill Anderson Quinn & Stifel (Robert F. Hirano), 1600 Bancorp Tower, Financial Plaza of the Pacific, 130 Merchant Street, Honolulu, Hawaii 96813 (Telephone No. 547-5600).

DESCRIPTION OF THE PROJECT: The proposed Declaration of Horizontal Property Regime (the "Declaration") and the plans (the "Condominium Map") submitted by the Developer indicate that the Project will contain thirteen (13) separate two-story buildings, without basements, designated as Buildings 27 to 39, inclusive, a one-story Maintenance Building, without basement, eighty-one (81) regular size, uncovered parking stalls, and thirty-two (32) compact size, uncovered parking stalls, all as shown on the Condominium Map. The buildings will be constructed primarily of cement, plasterboard, wood, glass and allied construction materials.

1. Buildings.

Each of Buildings 27 to 32, inclusive, and 34 to 39, inclusive, will contain four (4) residential apartments, and Building 33 will contain eight (8) residential apartments. The apartments will be located in the buildings as set forth in Exhibit "1" attached hereto and hereby made a part hereof.

2. Apartments.

(a) The apartments consist of the space within the perimeter walls, floors and ceilings of each of the fifty-six (56) apartments in the Project, as shown on the Condominium Map.

(b) The fifty-six (56) apartments in the Project are identified by apartment number and apartment type on the Condominium Map and are located in the Project as shown on the Condominium Map. There are sixteen (16) one-bedroom apartments and forty (40) two-bedroom apartments in the Project. The floor plans of each of the apartments are as shown on the Condominium Map. Subject to the provisions of Section R of the Declaration, the apartments are described as follows:

Each Type 1 apartment will have one (1) bedroom, one (1) bathroom, a living/dining room, a storage closet, and a kitchen.

Each Type 2 apartment will have one (1) bedroom, one (1) bathroom, a living/dining room, a storage closet, and a kitchen.

Each Type 3 apartment will have one (1) bedroom, one (1) bathroom, a living/dining room, a storage closet, and a kitchen.

Each Type 4 apartment will have one (1) bedroom, one (1) bathroom, a living/dining room, a storage closet, and a kitchen.

Each Type 5 apartment will have two (2) bedrooms, one (1) bathroom, a living/dining room, a storage closet, and a kitchen.

Each Type 6 apartment will have two (2) bedrooms, one (1) bathroom, a living/dining room, a storage closet, and a kitchen.

Each Type 7 apartment will have two (2) bedrooms, one (1) bathroom, a living/dining room, a storage closet, and a kitchen.

(c) Subject to the provisions of Section R of the Declaration, each apartment will have the number of rooms and approximate net living floor area in square feet as set forth in Exhibit "1" attached hereto.

The approximate net living floor areas set forth in Exhibit "1" are based on measurements taken from the interior surface of all perimeter walls, except that no reduction is made to account for interior walls, ducts, vents, shafts, stairways and the like located within the perimeter walls. All floor areas set forth in Exhibit "1" are not exact but are approximations based on the floor plans of each type of apartment. All floor areas set forth in Exhibit "1" have also been rounded to the next lowest full square foot where the approximation of such floor areas exceed a square foot by any fraction of a square foot.

The measurements set forth in Exhibit "1" do not follow the designation of the limits of the apartments (the legally designated areas of the apartments) set forth below and the floor areas set forth in Exhibit "1" may be greater than the floor areas of the apartments as so designated and described below.

(d) Each of the apartments will have immediate access to the walkways, corridors and/or stairways which lead to the other common areas of the Project.

(e) Notwithstanding the floor areas set forth in Exhibit "1" and the manner in which such floor areas are

measured, the respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls or partitions, the foundations, columns, girders, beams, floor slabs, footings, supports, roofs and ceilings located within or at the perimeter of or surrounding such apartment, any pipes, wires, vents, shafts, ducts, conduits or other utility or service lines or enclosed spaces for wiring, pipes or air exhaust running through or otherwise located within such apartment which are utilized for or serve more than one apartment, all of which are deemed common elements as hereinafter provided. Each apartment shall be deemed to include all of the walls and partitions which are not load-bearing and which are within its perimeter walls, the inner decorated or finished surfaces of all walls, floors, roofs and ceilings; all windows, window frames, louvers (if any), shutters (if any), doors and door frames along the perimeter of the apartment; and all of the fixtures and appliances originally installed therein, including the floor coverings (if any), range/oven, sinks, water heater and bathroom fixtures.

(f) The proposed Declaration of Horizontal Property Regime provides that notwithstanding any other provision in the Declaration to the contrary and except as otherwise provided in any apartment conveyance, the owner of an apartment may make any alterations or additions within an apartment and the owner of any two adjoining apartments may alter or remove all or portions of the intervening walls, at such owner's expense, if such alterations or additions are not visible from the exterior of the apartments and if the structural integrity of the building is not thereby affected. The alterations or additions permitted by the immediately preceding proviso shall require only the written approval thereof, including approval of the apartment owner's plans therefor, by the Developer and the holders of first mortgage liens affecting such apartment (if the lien holders require such approval), by the appropriate agencies of the State of Hawaii and the City and County of Honolulu if such agencies so require, by the Board of Directors of the Association (which approval shall not be unreasonably or arbitrarily withheld or delayed), and by all other apartment owners thereby directly affected (as determined in a reasonable manner by the Board of Directors of the Association) and such alterations or additions may be undertaken without an amendment to the Declaration or filing of a complete set of floor plans of the Project as so altered. Prior to the termination of the common ownership of any two adjoining apartments, if the intervening walls shall have been altered or removed pursuant to the foregoing provision and any entrances sealed, the owner of such apartment shall restore such intervening walls and entrances to substantially the same condition in which they existed prior to such alteration or removal.

(g) The proposed Declaration of Horizontal Property Regime provides that notwithstanding any other provision in the Declaration to the contrary, prior to

(i) the time that all apartments in the Project have been sold and recorded, and (ii) the filing by the Developer of the "as built" verified statement (with plans, if applicable) required by Section 514A-12 of said Horizontal Property Act (but in no event later than December 31, 1997), the Developer shall have the right to make alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and the limited common elements appurtenant thereto) in the Project which is not sold and recorded; or to make other alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, which make minor changes in any apartment in the Project or the common elements which do not affect the physical location, design or size of any apartment which has been sold and recorded; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in Paragraph 3 of Section T of the Declaration. As used herein the term "sold and recorded" shall mean and refer to the sale of apartments in the Project, and the filing in the Office of the Assistant Registrar of the Land Court of Hawaii of apartment conveyances transferring interests in the apartments from the Developer to parties not signatory to the Declaration.

COMMON ELEMENTS: The proposed Declaration of Horizontal Property Regime states that the common elements will include all the remaining portions of the Project (other than the apartments). The common elements will include, for example:

(a) The Land in fee simple;

(b) All foundations, columns, girders, beams, footings, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, roofs, stairways, walkways, corridors, ramps, fences (if any), entrances, entryways and exits of all buildings of the Project;

(c) All walkways, roadways, sidewalks, retaining walls (if any), fences, gates, driveways, parking areas, loading zones, yards, grounds, landscaping, refuse areas, and mailboxes;

(d) All pipes, cables, conduits, ducts, sewer lines, sewage treatment equipment and facilities (if any), electrical equipment, 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, gas (if any), sewer, water, telephone and television signal distribution (if any);

(e) The eighty-one (81) regular size, uncovered parking stalls and the thirty-two (32) compact size, uncovered parking stalls located in the uncovered parking areas of the Project, all as shown on the Condominium Map (nine (9) of which parking stalls are guest parking stalls);

(f) The Maintenance Building; and

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

LIMITED COMMON ELEMENTS: Certain parts of the common elements (the "limited common elements") are set aside and reserved for the exclusive use of certain apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside and reserved are as follows:

(a) Each of the parking stalls, other than the parking stalls designated on the Condominium Map as guest parking stalls, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it is assigned, as set forth in Exhibit "1" attached hereto;

(b) Any entrance, exit, or steps which would normally be used only for the purposes of ingress to and egress from a specific apartment shall be a limited common element appurtenant to and reserved for the exclusive use of such apartment.

INTEREST TO BE CONVEYED TO BUYER: Except as otherwise provided in Section S or in any other section of the Declaration, each apartment shall have appurtenant thereto an undivided percentage interest in the common elements of the Project, hereinafter referred to as the "common interest", and the same proportionate share in all common profits and expenses of the Project and for all other purposes, including voting, as set forth in Exhibit "1" attached hereto.

Each apartment and its appurtenant undivided interest in the common elements (other than Land) will be conveyed to the purchaser and an undivided interest in the Land will be leased to the purchaser by a condominium conveyance document or assignment thereof (hereinafter called "apartment conveyance").

EASEMENTS: In addition to any easements described in Exhibit "A" attached to the Declaration and to the exclusive easements established in the limited common elements, the apartments and common elements shall also have and be subject to the following easements:

1. 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, maintenance and repair of such apartment; in the other common elements for use according to their respective purposes; and in all other apartments and common elements of the building in which it is located or any adjacent buildings for support.

2. If any part of the common elements now or hereafter encroaches upon any apartment or limited common element, or if any apartment now or hereafter encroaches upon any other apartment or upon any portion of the common elements, a valid easement for such encroachment and the maintenance thereof shall and does exist so long as such encroachment continues. In the event the buildings of the Project shall be partially or totally destroyed and then rebuilt, minor encroachments of any parts of the common elements or of any apartment due to such construction shall be permitted and valid easements for such encroachments and the maintenance thereof shall exist for so long as such encroachment exists.

3. The Association of Apartment Owners of the Project shall have the right, to be exercised by its Board of Directors or the Managing Agent, to enter each apartment and/or the limited common elements from time to time during reasonable hours as may be necessary for the operation of the Project, for making emergency repairs therein necessary to prevent damage to any apartments or common elements or for the inspection, installation, repair, maintenance or replacement of any common elements;

4. The Association of Apartment Owners of the Project shall have the right, exercisable by its Board of Directors, with the prior written approval of the Developer and with the consent and joinder of the Developer, to grant, convey, transfer, cancel, relocate and otherwise deal with any easements over, under, across or through the common elements of the Project for any reasonable purpose, which may include, but shall not be limited to, those purposes which are necessary to the operation, care, upkeep, maintenance or repair of any apartment, the common elements or any easements for utilities or for any public purpose.

5. The Association of Apartment Owners of the Project shall have the right, exercisable by its Board of Directors, with the prior written approval of the Developer and with the consent and joinder of the Developer, to transfer, cancel, relocate and otherwise deal with any easement over, under, across or through any lands adjacent to the Project, which may be appurtenant to the Land of the Project, for any reasonable purpose, which may include, but shall not be limited to, any of the same purposes set forth in Paragraph 4 above or for the reason that any owner of any such lands adjacent to the Project exercises any right to require the relocation of any such easement.

6. The Developer shall have the right to conduct extensive sales activities on and at the Project, including the use of model apartments, sales and management offices, and extensive sales displays and activities until the later to occur of: (i) December 31, 1997; or (ii) the closing of the sale of the last unsold apartment in the Project.

7. The Developer, its agents, employees, contractors, licensees, successors and assigns shall have an easement over and upon any portion of the Project, including the common elements and any apartment, as may be reasonably necessary for the completion of any improvements to and correction of defects and other punchlist items in the common elements or any apartment.

8. The Developer, its successors and assigns shall have an easement for roadway access and utility purposes over, under, across and upon the roadways which are included in the common elements of the Project, which easement shall be for the benefit of, and appurtenant to the land described in Exhibit "C" attached to the Declaration.

9. The Developer, its successors and assigns shall have easements for access purposes, for electrical, gas, communications and other utility purposes, and for sewer, drainage and water facilities over, under, across, along and through the Land, including but not limited to any and all Easements shown on Map 639 filed with Land Court Application No. 1000, together with the right to designate easements for the aforesaid purposes, if necessary, and to grant to the State of Hawaii, the City and County of Honolulu, the Board of Water Supply of the City and County of Honolulu, any other appropriate governmental agency and/or any public utility or other corporation, easements for any such purposes over, under, across, along and through the Land under the usual terms and conditions required by the grantee of such easement rights; provided, however, that such easement rights must be exercised in such manner as to not unreasonably interfere with the use of the Land by the apartment owners and those claiming by, through or under the apartment owners, and in connection with the installation, maintenance or repair of any facilities pursuant to any of said easements the Land shall be promptly restored by and at the expense of the person owning and exercising such easement rights to substantially the condition of the Land immediately prior to the exercise thereof; and the acceptance or acquisition by any party of any interest in the Project shall constitute an undertaking and agreement by such party (a) to join in and execute, upon request, any and all documents designating and/or granting any such easements, and (b) to perform and carry out at such party's expense, or to cause the Association of Apartment Owners to perform and carry out as a common expense, any obligation in any such grant of easement rights, or in any grant of easement specifically referred to in the Declaration (including without limitation the Grant of Easement filed as Land Court Document No. _____), with respect to providing and maintaining

any screening or landscaping or similar requirement as to facilities within the Land which may now or hereafter be required by law, ordinance or governmental agency, and (c) to indemnify and hold harmless the Developer and its successors and the grantee under any such grant of easement from all loss or liability arising from any breach of these undertakings and agreements.

The proposed Declaration of Horizontal Property Regime also provides that in the event of merger of the Project with one or more condominium projects (hereinafter called "Phase I", "Phase II" and/or "Phase IV", as defined and provided in Section S of the Declaration, and as hereinafter described in Special Notation 1 below), the apartments and common elements shall also be subject to additional easements, including, without limitation, the following:

1. In connection with, and only to the extent necessary for, the development, construction and sale of apartments and common elements in Phase I, Phase II and/or Phase IV as aforesaid, the Developer, its employees, agents and contractors, shall have the right to enter upon the common elements of the Project for all purposes reasonably necessary for or useful to (a) the construction and completion of Phase I, Phase II and/or Phase IV according to plans and specifications or amended plans and specifications approved by the officer of the City and County of Honolulu having jurisdiction over the issuance of building permits, (b) the sale of apartments in Phase I, Phase II and/or Phase IV, (c) the connection of the apartments and common elements in Phase I, Phase II and/or Phase IV to utilities serving the Project, and (d) the relocation or realignment of any existing easements, rights-of-way or utilities, provided that any such relocation or realignment shall not materially impair or interfere with the use and enjoyment of any apartment in the Project. The Developer shall have, and hereby reserves, an easement over, under and across the common elements of the Project for the purposes of commencing and completing all work connected with or incidental to the development, construction and sale of the apartments and other improvements contemplated for Phase I, Phase II and/or Phase IV, together with the right, in the form of an easement, to create and cause noise and other nuisances necessitated by and resulting from any work connected with or incidental to the development, construction and sale of the apartments and improvements contemplated for Phase I, Phase II and/or Phase IV. The Developer further reserves the right to grant, for the benefit of Phase I, Phase II and/or Phase IV and without the consent or joinder of any party having any interest in the Project, easements over, across and under the common elements for utilities, sanitary and storm sewers, cable television and walkways, and rights-of-way to public authorities and utility companies, provided that such easements and rights-of-way do not materially impair or interfere with the use of any apartment in the Project or the common elements.

2. Subsequent to any merger, the Developer shall have the right to conduct extensive sales activities on or at the Merged Project (as defined in Special Notation 1 below), including the use of model apartments, sales and management offices, and extensive sales displays and activities until the later to occur of: (i) December 31, 1997; or (ii) the closing of the sale of the last unsold apartment in the Merged Project.

3. The Developer, its agents, employees, contractors, licensees, successors and assigns shall have an easement over and upon any portion of the Merged Project, including the common elements and any apartment in the phases being merged, as may be reasonably necessary for the completion of any improvements to and correction of defects and other punchlist items in the common elements or any apartment in the phases being merged.

PURPOSES AND RESTRICTIONS AS TO USE: The proposed Declaration of Horizontal Property Regime provides that:

1. The apartments shall at all times be used only for residential or lodging purposes.

2. The Association of Apartment Owners of the Project and any apartment owner shall not suffer anything to be done or kept in his apartment or elsewhere in the Project which will (a) jeopardize the soundness of any building in the Project, (b) interfere with or otherwise unreasonably disturb the rights of other owners and occupants, (c) obstruct any walkway, stairway or corridor of any building, (d) increase the rate of fire or extended coverage insurance on any building or the contents thereof, or (e) reduce the value of any building.

3. Except as otherwise expressly provided in Section R of the Declaration, an apartment owner shall not, without the prior written consent of the Board of Directors of the Association, make any structural alteration in or additions to the apartment, make any interior alterations in or additions to the apartment visible from the exterior of the apartment, or make any alterations in or additions to the exterior of the apartment or to any other portion or portions of the common elements.

4. Notwithstanding anything contained hereinabove to the contrary, the Developer shall have the right to conduct extensive sales activities at and in the Project, including the use of model apartments, sales and management offices, and extensive sales displays and activities as set forth in Paragraph 6 of Section F of the Declaration.

The proposed Rules and Regulations provide, in part, that: (1) occupancy shall be limited to not more than three persons per one-bedroom apartment and not more than five persons per two-bedroom apartment; (2) no livestock, poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the Project except that

dogs, cats and other household pets in reasonable number and size as determined by the Board may be kept by the apartment owners and occupants in their respective apartments, subject to the conditions and restrictions contained in the Rules and Regulations; and (3) no waterbeds of any nature are allowed in any apartment without prior written approval of the Board.

OWNERSHIP OF TITLE: The Status Title Report issued by Title Guaranty of Hawaii, Inc., dated March 18, 1986, shows that the Land is owned in fee simple by the Developer.

ENCUMBRANCES AGAINST TITLE: The Status Title Report issued on March 18, 1986, prepared by Title Guaranty of Hawaii, Inc., identifies the following encumbrances against the Land:

1. For any real property taxes that may be due and owing, reference is made to the Director of Finance of the City and County of Honolulu.
2. Easement "3143" situate over and across Lot 9460-C, besides other land, as shown on Maps 535 and 639, as set forth by Land Court Order No. 55162 filed December 5, 1979.
3. Grant of easement for sewer purposes (affecting Easement "3143") in favor of the City and County of Honolulu as set forth in instrument dated January 10, 1980, filed as Document Nos. 1014558 and 1014563.
4. Unilateral Agreement and Declaration for Conditional Zoning dated October 12, 1979, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 14064 at Page 485, as amended by instrument dated October 18, 1979, recorded in Liber 14075 at Page 181. (Not noted on Transfer Certificate of Title No. 261,529.)
5. Agreement for Issuance of Special Use Permit Under Section 21.2.71, Revised Ordinances of Honolulu, 1978, as amended, dated March 16, 1984, recorded in Liber 17856 at Page 596, re: joint development of two or more adjacent lots. (Not noted on Transfer Certificate of Title No. 261,529.)
6. Easement "3480", as shown on Maps 596 and 639, as set forth by Land Court Order No. 64399 filed December 9, 1982.
7. Grant of easement for sewer purposes (affecting Easement "3480") in favor of the City and County of Honolulu, filed as Document No. 1164040.
8. Easement "3481" as shown on Maps 596 and 639, as set forth by Land Court Order No. 64399 filed December 9, 1982.

9. Grant of easement for drainage purposes (affecting Easement "3481") dated December 17, 1982, in favor of the City and County of Honolulu, filed as Document No. 1164041.
10. Restriction of vehicle access right as shown on Map 639, as set forth by Land Court Order No. 70369 filed July 3, 1984.
11. Real Property Mortgage; Security Agreement; Assignment of Contracts; and Financing Statement dated May 13, 1985, in favor of First Hawaiian Bank, as agent, as Mortgagee, filed as Document No. 1298869 and also recorded in Liber 18637 at Page 641.
12. Real Property Mortgage, Assignment of Rents and Leases, Security Agreement and Financing Statement dated July 2, 1985, in favor of The First National Bank of Boston, as representative and agent, as Mortgagee, filed as Document No. 1307644 and also recorded in Liber 18750 at Page 41.

NOTE: The Developer has notified the Commission that at the time of the first conveyance or lease of each apartment, each of the mortgage instruments described in items 11 and 12 above will be paid and satisfied of record, or the apartment being conveyed or leased and its common interest shall be released therefrom.

MILILANI TOWN COVENANTS: The proposed Declaration of Horizontal Property Regime provides that all present and future apartment owners, tenants and occupants of apartments shall be bound by and subject to the provisions of that certain Declaration of Covenants, Conditions and Restrictions for Mililani Town dated April 19, 1968, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 441561, as amended by instrument dated May 22, 1968, filed in said Office as Document No. 445150, as amended by instrument dated September 26, 1985, filed as Document No. 1324754, as amended by instrument dated December 6, 1985, filed as Document No. 1347094, and as further amended from time to time (the "Mililani Town Covenants"). The Mililani Town Covenants provide, among other things, that each apartment owner, by virtue of being such an owner, shall be a member of the Mililani Town Association and shall pay assessments to the Mililani Town Association, as set forth in the Mililani Town Covenants.

PURCHASE MONEY HANDLING: A specimen Deposit Receipt, Reservation and Sales Agreement (the "Sales Agreement"), a specimen V.A. Addendum to Reservation and Sales Agreement (applicable only to purchasers who are eligible and apply for Veterans Administration guaranteed loans), and a copy of the executed Escrow Agreement dated September 30, 1985, between Title Guaranty Escrow Services, Inc., a Hawaii corporation, as "Escrow", and the Developer, as "Seller", have been submitted to the Real Estate Commission as part

of this registration. Upon examination, the specimen Sales Agreement (including the V.A. Addendum to Reservation and Sales Agreement) and the executed Escrow Agreement are found to be in compliance with Chapter 514A, Hawaii Revised Statutes, as amended, and particularly Sections 514A-37, 514A-39, 514A-63, and 514A-105.

Among other provisions, the Escrow Agreement provides that:

1. All monies received by Escrow under the Escrow Agreement will be deposited within a reasonable time of their receipt by Escrow and in reasonably convenient and practical sums in a special account or accounts with a federally insured bank or savings and loan association in Honolulu, Hawaii. The accounts must provide for interest at the prevailing interest rate, and all interest paid on the accounts will belong to Seller.

2. Disbursements from the purchaser's escrow fund shall be made by Escrow in accordance with the respective sales contracts upon the direction of Seller.

Among other provisions, the specimen Sales Agreement provides that:

1. A Sales Agreement executed prior to the issuance of a Final Public Report for the Project shall constitute a "reservation" and not a "binding contract" for the purchase of an apartment. Accordingly, the reservation may be canceled and terminated at any time at the option of either party (and purchaser shall receive a refund) until a Final Public Report is issued on the Project, the purchaser signs a receipt for the Final Public Report (or is deemed to have receipted for it under the Horizontal Property Act), and each of the conditions set forth in Section 514A-62(a) of the Horizontal Property Act have been satisfied. Therefore, the purchaser should be aware that the execution of a Sales Agreement prior to the issuance of a Final Public Report does not necessarily mean that the purchaser will be able to purchase the reserved apartment for the price or on the other terms stated in the Sales Agreement, or on any terms at all.

2. (a) Seller warrants the materials and workmanship of the Apartment against defects for a period of one (1) year from the Closing Date or the date of occupancy (whichever first occurs); provided, however, that said warranty shall in no event be for a period less than one (1) year from the "date of completion" of the Apartment, as that term "date of completion" is defined in Section 507-43 of the Hawaii Revised Statutes. For purposes of the foregoing warranty, "defects" shall be those items reasonably requiring the repair, renovation, restoration, or replacement of any of the components constituting the Apartment. Items of maintenance relating to the Apartment are not covered by the foregoing warranty.

(b) Seller warrants the materials and workmanship of the common elements of the Project against defects for a period of two (2) years from the date each of the common elements is completed and available for use by apartment owners, or two (2) years from the date the first apartment in the Project is conveyed to an apartment owner other than Seller, whichever is later. For purposes of the foregoing warranty, "defects" shall be those items reasonably requiring the repair, renovation, restoration, or replacement of any of the components constituting the common elements of the Project. Items of maintenance relating to the common elements of the Project are not covered by the foregoing warranty.

(c) Seller's obligations under the foregoing warranties are expressly conditioned on prompt notification by the purchaser to Seller of any defects in the materials or workmanship, and are expressly limited to the repair or replacement of defects.

3. Seller may (but doesn't have to) cancel the Sales Agreement (a) if the purchaser's mortgage loan application is rejected or not approved within 30 days after application, or (b) if the purchaser plans to pay the purchase price in cash but Seller is not satisfied for any reason with the purchaser's ability to make the cash payments.

4. PURCHASER AGREES THAT NO ONE (INCLUDING THE SELLER OR ANY SALESPERSON) HAS TALKED TO PURCHASER AT ALL ABOUT ANY RENTAL INCOME OR RENTAL OR SALES SERVICES FOR PURCHASER'S APARTMENT. IF PURCHASER WANTS TO RENT OR SELL THE APARTMENT, HOW PURCHASER DOES IT WILL BE UP TO PURCHASER. PURCHASER ALSO AGREES THAT NO ONE HAS TALKED TO PURCHASER AT ALL ABOUT INCOME FROM THE APARTMENT OR ANY OTHER ECONOMIC BENEFIT TO BE DERIVED FROM THE PURCHASE OR OWNERSHIP OF THE APARTMENT OR ABOUT THE TAX EFFECTS OF BUYING THE APARTMENT (EXCEPT THAT PURCHASER MAY BE ENTITLED TO INCOME TAX DEDUCTIONS FOR MORTGAGE INTEREST PAYMENTS AND REAL ESTATE TAXES).

5. Purchaser will pay for the following closing costs: all of the Escrow fee, all notary fees, all appraisal fees, all recording costs, all charges for purchaser's credit report, all costs of preparing any mortgages and promissory notes, and all title insurance costs. Purchaser will also pay all mortgage costs. Purchaser will also pay a nonrefundable start-up fee which will be held and used by the Seller and the first Managing Agent of the Association as a working capital fund for the benefit of all the apartment owners. Purchaser agrees that Seller doesn't have to pay any start-up fee for any apartment in the Project even if it is owned by Seller. Proration of lease rents, Mililani Town Association assessments, maintenance charges and other common expenses, and real property taxes will be made as of the scheduled Closing Date.

6. The purchaser agrees that purchaser may not transfer the Sales Agreement or any of purchaser's rights

under the Sales Agreement without first getting Seller's written consent (which Seller may withhold in its sole and absolute discretion).

7. If purchaser signs the Sales Agreement before 90 days has elapsed from the "date of completion" (as defined in Section 507-43 of the Hawaii Revised Statutes, as amended) of construction of the Apartment, purchaser represents to Seller that purchaser is a "qualified buyer" as defined below. The term "qualified buyer" as used herein means an owner-occupant purchaser whose income (including the income of all members of such purchaser's household) does not exceed 80% of the median income (adjusted for family size) in the State of Hawaii for the most recent year for which median income figures are available. The following are such income limits (as of January 1, 1985) by family size for the Project:

<u>Family Size</u>	<u>Median</u>	<u>80% Income Limit</u>
1	\$21,940	\$17,550
2	25,065	20,050
3	28,190	22,550
4	31,315	25,050
5	33,250	26,600

If purchaser signs the Sales Agreement before 90 days has elapsed from the "date of completion" of construction of the Apartment, and if Seller or the City and County of Honolulu shall determine that purchaser is not a "qualified buyer", Seller shall have the right to cancel the Sales Agreement at any time.

If purchaser signs the Sales Agreement before 90 days has elapsed from the "date of completion" of construction of the Apartment, purchaser will be required to sign an Affidavit wherein purchaser must represent that purchaser is a "qualified buyer" and intends to become an owner-occupant of the Apartment, and that purchaser understands that the Apartment must be occupied by the purchaser and is not to be rented.

8. Developer has given or may give to one or more lenders a mortgage or mortgages, security agreement or agreements, and other instruments securing repayment of loan(s) and covering Developer's ownership rights in the Project, including the individual apartments. All of the rights and interests which Developer gives to the lender or lenders will have priority over the purchasers' rights and interests under the Sales Agreements. This applies to any changes in the loan or loans or the mortgage or mortgages, security agreement or agreements or other instruments (including, among other things, extensions, renewals and other changes). The purchasers give up and subordinate the priority of their rights and interests under the Sales Agreements in favor of the rights and interests of Developer's lenders until the final closing and delivery

of signed apartment leases to the purchasers. If Developer's lender or lenders ask the purchasers to do so, the purchasers will sign other documents to confirm the promises and agreements mentioned above.

It is important that the purchasers and prospective purchasers read with care the specimen Sales Agreement and the executed Escrow Agreement. The Escrow Agreement describes how the proceeds from the sale of the apartments and any sums received from any source are placed in trust and how the funds will be held, paid out and/or refunded.

MANAGEMENT AND OPERATION: The proposed By-Laws of the Association of Apartment Owners provide that the operation of the Project will be conducted for the Association of Apartment Owners by a responsible corporate managing agent. The managing agent will be appointed by the Board of Directors on behalf of the Association, in accordance with the By-Laws, except that the managing agent for the initial period following the date of the organization of the Association of Apartment Owners may be appointed by the Developer without the approval of the Association. The Developer has selected Chaney, Brooks & Company as the initial managing agent, pursuant to Property Management Agreement dated December 23, 1985.

MERGER OF INCREMENTS: The proposed Declaration of Horizontal Property Regime also provides that the Developer has certain reserved rights with respect to the Project, including the following:

1. Section S of the proposed Declaration of Horizontal Property Regime provides, among other things, that the Developer shall have the right, in its sole and absolute discretion, on or before December 31, 1994, to cause and effect a merger or mergers of the Project with one or more condominium projects located or to be located on approximately 8.802 acres of land (or a portion or portions thereof) adjacent to the Land of the Project, consisting of up to one hundred sixty-eight (168) additional apartments and common elements appurtenant thereto, as part of the same incremental plan of development of the Project. The Project is "Phase III" of a proposed four-phase project, as described in said Section S, which may be developed in two or more phases, all at the option of the Developer. A merger may occur with respect to the Project with any one or more of the other phases, at the same or at different times, and merger with respect to any one or more of said phases shall not affect the right of the Developer to merge another phase or phases at a later date or dates, subject to all of the provisions of the Declaration. The three additional phases or increments which may be added are as follows:

(a) "Phase I", consisting of approximately sixty (60) apartments (and common elements appurtenant thereto) and located or to be located on Lot 9460-A of Map 639 of Land Court Application No. 1000;

(b) "Phase II", consisting of approximately fifty-two (52) apartments (and common elements appurtenant thereto) and located or to be located on Lot 9460-B of Map 639 of Land Court Application No. 1000; and

(c) "Phase IV", consisting of approximately fifty-six (56) apartments (and common elements appurtenant thereto) and located or to be located on Lot 9460-D of Map 639 of Land Court Application No. 1000.

Upon merger of one or more phases, all of the apartments in the merged phases shall be treated as though they were all included in a single project (the "Merged Project"), and the following consequences, among others, shall be of effect:

(a) The common elements of each of the merged phases will be the common elements of the Merged Project, and each owner of an apartment in each merged phase shall have the right to full use and enjoyment of all of the common elements of the Merged Project (excluding the limited common elements appurtenant to other apartments in the Merged Project), to the same extent and subject to the same limitations as are imposed upon the apartment owners in the respective declarations of horizontal property regime for the merged phases.

(b) Each apartment in the Merged Project shall have an undivided percentage interest in the common elements and in all common profits and expenses of the Merged Project, and for all other purposes, including voting, as shall be set forth in the Certificate of Merger. The undivided percentage interest assigned to an apartment in the Merged Project shall be the percentage equivalent of a fraction, the numerator of which is the approximate net living floor area of the apartment (as set forth in the declaration of horizontal property regime covering the phase in which such apartment is situated) and the denominator of which is the approximate total net living floor area of all apartments in the Merged Project; provided, however, that Developer shall have the right, in its sole and absolute discretion, to adjust or modify the undivided percentage interests assigned to any apartment or apartments so as to result in undivided percentage interests for the Merged Project which total exactly one hundred percent (100%). The acceptance or acquisition by any party of any interest in the Project shall constitute an agreement and consent by such party to the alteration of such party's percentage of undivided interest from the percentage set forth in Exhibit "B" of the Declaration to the applicable percentage to be set forth in the Certificate of Merger, and to the filing of the Certificate of Merger which shall be deemed an amendment to the Declaration which effectuates such alteration of percentage of undivided interest, without any further consent or joinder of such party, and the Developer shall have the right to execute, acknowledge, deliver and file the Certificate of Merger on behalf of said party, as the true and lawful attorney-in-fact of any such party accepting or acquiring

any interest in the Project. Said power of attorney shall be coupled with an interest and shall be irrevocable.

(c) Upon any merger of phases, Developer may require the apartment owners in the merged phases to make contributions, in addition to their normal prescribed share of the common expenses, to the maintenance reserves of the Merged Project. Developer may provide that such contribution shall be made over a period of time and in setting the amount and terms of such contribution Developer shall take into account the amount of maintenance reserves accumulated prior to the merger and the condition of pre-existing apartments.

(d) The apartment owners in one phase shall not be obligated to pay any outstanding debts, expenses, costs or other obligations of the apartment owners in other phases as of the Merger Date.

(e) The associations of apartment owners of each phase provided for in their respective declarations of horizontal property regime shall be merged into a single association covering the entire Merged Project.

(f) The Merged Project shall be known as "Mililani Terrace". All of the apartments in the Merged Project shall be treated as though they were all included in a condominium project created by a single filing of a declaration of horizontal property regime and the declaration applicable to each phase shall be construed as one document applicable to the entire Merged Project constituting each of the merged phases except to the extent expressly otherwise provided in the Declaration. In the event of a conflict between the respective declarations and by-laws, the declaration and by-laws in effect for Phase I shall control.

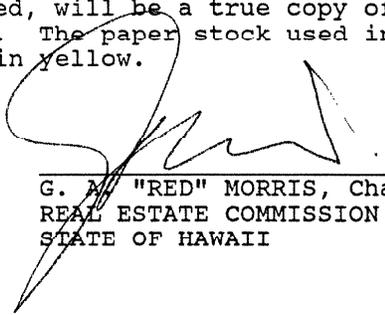
Nothing herein as to merger shall be construed as a representation or warranty by Developer that Phase I, Phase II and/or Phase IV will be developed or merged with the Project, or to require Developer to develop Phase I, Phase II and/or Phase IV or to merge Phase I, Phase II and/or Phase IV into the Project, or to prohibit Developer from dealing freely with the property adjacent to the Land of the Project, including, without limitation, developing the whole or any part of such property for a purpose inconsistent with the merger of such property into the Project.

STATUS OF THE PROJECT: The Developer commenced construction of the Project in July 1985.

The purchaser or prospective purchaser should be aware of the fact that this public report represents information disclosed by the Developer in the Notice of Intention filed on April 8, 1986, and information subsequently submitted as of April 21, 1986.

This PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM)
PUBLIC REPORT is made a part of Registration Number 1754
filed with the Commission on April 8, 1986.

This Report, when reproduced, will be a true copy of the
Commission's Public Report. The paper stock used in
making facsimiles must be in yellow.



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

DISTRIBUTION:

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

Registration No. 1754

Date: April 29, 1986

EXHIBIT "1"

<u>Apt. No.</u>	<u>Apt. Type</u>	<u>Building No.</u>	<u>Parking Stall No(s).</u>	<u>No. of Rooms in Apt.</u>	<u>Approx. Net Living Floor Area in Sq. Ft.</u>	<u>Common Interest</u>
J105	5	28	J105 & J105C	5	723	1.92738%
J106	6	28	J106 & J106C	5	723	1.92738%
J107	5	27	J107 & J107A	5	723	1.92738%
J108	6	27	J108 & J108A	5	723	1.92738%
J205	5	28	J205 & J205C	5	723	1.92738%
J206	6	28	J206 & J206C	5	723	1.92738%
J207	5	27	J207 & J207A	5	723	1.92738%
J208	6	27	J208 & J208A	5	723	1.92738%
K101	5	32	K101 & K101A	5	723	1.92738%
K102	7	32	K102 & K102A N107 N107A N108 N108A N207 N207C N208 N208C	5	723	1.92738%
K103	5	29	K103 & K103A	5	723	1.92738%
K104	6	29	K104 & K104A	5	723	1.92738%
K105	5	30	K105 & K105C	5	723	1.92738%
K106	6	30	K106 & K106C	5	723	1.92738%

<u>Apt. No.</u>	<u>Apt. Type</u>	<u>Building No.</u>	<u>Parking Stall No(s).</u>	<u>No. of Rooms in Apt.</u>	<u>Approx. Net Living Floor Area in Sq. Ft.</u>	<u>Common Interest</u>
K107	5	31	K107 & K107C	5	723	1.92738%
K108	6	31	K108 & K108C	5	723	1.92738%
K201	5	32	K201 & K201A	5	723	1.92738%
K202	6	32	K202 & K202A	5	723	1.92738%
K203	5	29	K203 & K203A	5	723	1.92738%
K204	6	29	K204 & K204A	5	723	1.92738%
K205	5	30	K205 & K205C	5	723	1.92738%
K206	6	30	K206 & K206C	5	723	1.92738%
K207	5	31	K207 & K207C	5	723	1.92738%
K208	6	31	K208 & K208C	5	723	1.92738%
L101	1	33	L101	4	537	1.43155%
L102	3	33	L102	4	537	1.43155%
L103	4	33	L103	4	537	1.43155%
L104	2	33	L104	4	537	1.43155%
L201	1	33	L201	4	537	1.43155%
L202	3	33	L202	4	537	1.43155%
L203	4	33	L203	4	537	1.43155%
L204	2	33	L204	4	537	1.43155%
M101	5	36	M101 & M101C	5	723	1.92738%
M102	7	36	M102 & M102C	5	723	1.92738%

<u>Apt. No.</u>	<u>Apt. Type</u>	<u>Building No.</u>	<u>Parking Stall No(s).</u>	<u>No. of Rooms in Apt.</u>	<u>Approx. Net Living Floor Area in Sq. Ft.</u>	<u>Common Interest</u>
M103	5	37	M103 & M103C	5	723	1.92738%
M104	6	37	M104 & M104C	5	723	1.92738%
M105	1	34	M105	4	537	1.43155%
M106	2	34	M106	4	537	1.43155%
M107	1	35	M107	4	537	1.43155%
M108	2	35	M108	4	537	1.43155%
M201	5	36	M201 & M201C	5	723	1.92738%
M202	6	36	M202 & M202C	5	723	1.92738%
M203	5	37	M203 & M203C	5	723	1.92738%
M204	6	37	M204 & M204C	5	723	1.92738%
M205	1	34	M205	4	537	1.43155%
M206	2	34	M206	4	537	1.43155%
M207	1	35	M207	4	537	1.43155%
M208	2	35	M208	4	537	1.43155%
N101	5	39	N101 & N101A	5	723	1.92738%
N102	6	39	N102 & N102A	5	723	1.92738%
N103	5	38	N103 & N103A	5	723	1.92738%
N104	6	38	N104 & N104C	5	723	1.92738%
N201	5	39	N201 & N201C	5	723	1.92738%
N202	6	39	N202 & N202C	5	723	1.92738%

<u>Apt. No.</u>	<u>Apt. Type</u>	<u>Building No.</u>	<u>Parking Stall No(s).</u>	<u>No. of Rooms in Apt.</u>	<u>Approx. Net Living Floor Area in Sq. Ft.</u>	<u>Common Interest</u>
N203	5	38	N203 & N203C	5	723	1.92738%
N204	6	38	N204 & N204C	5	723	1.92738%

NOTE: All parking stall numbers ending with the letter "C" are compact car stalls. All other parking stalls are regular size.