



**REAL ESTATE COMMISSION
STATE OF HAWAII**

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
PROFESSIONAL & VOCATIONAL LICENSING DIVISION
1010 Richards Street
P. O. Box 3469
Honolulu, Hawaii 96801

CONDOMINIUM PUBLIC REPORT

on

THE CREST AT WAILUNA, INCREMENT 1
Mauka End of Kaahumanu Street
Waiiau, Ewa, Oahu, Hawaii

Registration No. 1861

Issued: November 3, 1987
Expires: December 3, 1988

Report Purpose:

This report is based on information and documents submitted by the developer to the Real Estate Commission as of October 26, 19 87 and is issued by the Commission for informational purposes only. It represents neither approval nor disapproval of the project. Buyers are encouraged to read this report carefully.

Type of Report:

- PRELIMINARY:**
(yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued when complete information is filed.
 - FINAL:**
(white) The developer has legally created a condominium and has filed complete information with the Commission.
 - Supersedes all prior public reports
 - Must be read together with _____
 - SUPPLEMENTARY:**
(pink) Updates information contained in the
 - Prelim. Public Report dated _____
 - Final Public Report dated _____
 - Supp. Public Report dated _____
- And Supersedes all prior public reports
 Must be read together with _____
- This report reactivates the _____
 public report(s) which expired on _____

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required Not Required -- disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

The Preliminary Public Report on this Project was issued on June 30, 1987. Since the issuance of the Preliminary Public Report, Developer has made certain changes to the Declaration of Horizontal Property Regime, the By-Laws of the Association of Apartment Owners, and the Condominium Map, and these items, as revised, have been recorded in the Bureau of Conveyances of the State of Hawaii. Developer has made certain changes to the Apartment Lease form, as well.

Although a prospective buyer should review the above documents and the Condominium Map that were recorded, it is noted that the major changes were as follows:

1. DECLARATION OF HORIZONTAL PROPERTY REGIME:

- (a) The Declaration reflects that Easement Area D-1, a 10-foot drainage easement, affects Condo Lot 21; and
- (b) The undivided percentage ownership in the common elements was changed from a fractional interest to an undivided percentage interest as follows:

Each apartment but for Apartment No. 70 has a 2.7027027 percentage interest in the common elements, and Apartment No. 70 has a 2.7027028 percentage interest in the common elements.

2. APARTMENT LEASE:

After the initial 30-year term, the lease rent is based on eight percent (8%) of the fair market value of the land, instead of seven percent (7%) of the fair market value of the land.

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GENERAL INFORMATION ON CONDOMINIUMS

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of Hawaii's "Horizontal Property Act" (Chapter 514A, Hawaii Revised Statutes) must be followed.

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

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

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

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

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

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

Operation of the Condominium Project

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

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without a vote of the owners. Some of these actions may significantly impact the quality of life for all apartment owners.

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

I. PEOPLE CONNECTED WITH THE PROJECT

Developer:

LUSK HAWAII, a Division of The Lusk Company
Name Suits 1618, Davies Pacific Center
841 Bishop Street
Business Address
Honolulu, Hawaii 96813

Phone: 537-4972
(Business)

Names of officers or general partners of developers who are corporations or partnerships:

SEE EXHIBIT "A"

Real Estate
Sales Agent:

HOMES PACIFICA
(Betty O'Donnell)
Name
98-1850-K Kaahumanu Street
Business Address
Pearl City, Hawaii 96782

Phone: 455-1019
(Business)

Escrow:

TITLE GUARANTY ESCROW SERVICES, INC.
Name
235 Queen Street
Business Address
Honolulu, Hawaii 96813

Phone: 521-0211
(Business)

Managing
Agent:

CERTIFIED MANAGEMENT
Name
3179 Koapaka Street, Second Floor
Business Address
Honolulu, Hawaii 96819-1927

Phone: 836-0911
(Business)

Attorney for
Developer:

DAMON KEY CHAR & BOCKEN (Charles W. Key)
Name 1600 Pauahi Tower
1001 Bishop Street
Business Address
Honolulu, Hawaii 96813

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

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Horizontal Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners.

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

The Declaration for this condominium is:

Proposed
 Recorded – Bureau of Conveyances – Book 21246 Page 541
 Filed – Land Court – Document Number _____

Amendment date(s) and recording/filing information:

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

The Condominium Map for this condominium project is:

Proposed
 Recorded – Bureau of Conveyance Condo Map No. 1087
 Filed – Land Court Condo Map No. _____

Amendment date(s) and recording/filing information:

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

The Bylaws for this condominium are:

Proposed
 Recorded – Bureau of Conveyances – Book 21246 Page 586
 Filed – Land Court – Document Number _____

Amendment date(s) and recording/filing information:

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

The House Rules for this condominium are:

Proposed Adopted

Developer does not plan to adopt house rules.

E. Changes to Condominium Documents

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

1. **Apartment Owners:** Minimum percentage of apartment owners who must vote for or give written consent to changes:

| | <u>Minimum Set by Law</u> | <u>This Condominium</u> |
|--------------------------------|-------------------------------|---------------------------|
| Declaration (and Condo Map) | 75% | <u>75%</u> |
| Bylaws | 65% | <u>65%</u> |
| House Rules | - | <u>Board of Directors</u> |

The percentages for individual condominium projects may be more than the minimum set by law.

2. **Developer:** The developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws, or House Rules:

SEE EXHIBIT "B"

The Condominium Statute (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- Fee Simple:** Individual apartments and the underlying land will be in fee simple.
- Leasehold or Subleasehold:** Individual apartments and the underlying land will be leasehold.

The leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit "C" contains further explanations.

Lease Term Expires: The unexpired term of lease will be at least 50 years.

Rent Renegotiation Date(s): Every 10 years from the date of issuance of the lease.

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit "C" contains a schedule of the lease rent for each apartment per
 Month Year.

- Individual Apartments in Fee Simple, Underlying Land in Leasehold or Subleasehold:**

The leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners - tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations.

Lease Term Expires: _____

Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per
 Month Year.

- Other:**

For Subleaseholds:

- Buyer's sublease may be cancelled if the master lease between the sublessor and fee owner is
 Cancelled Foreclosed.

- As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is cancelled or foreclosed.

B. Underlying Land:

Address: Mauka end of Kaahumanu Street Tax Map Key: 9-8-002-portion
Waiolu, Ewa, Oahu, Hawaii (TMK) 003(1)

Address - TMK is expected to change because subdivision of land.

Land Area: 211,886 square feet acre(s) Zoning: A-1 (Low Density Apartment)

Fee Owner: ESTATE OF BERNICE PAUHI BISHOP
name
567 South King Street, Suite 200
address
Honolulu, Hawaii 96813

Sublessor: None
name
address

C. Buildings and Other Improvements:

1. New Building(s) Conversion of Existing Building(s)
 Both New Building(s) and Conversion
2. Buildings: 37 Floors Per Building: 12 buildings have 1 floor;
25 buildings have 2 floors.

Exhibit _____ contains further explanations.

3. Principal Construction Material:

- Concrete Hollow Tile Wood
 Other _____

4. Permitted Uses:

| | <u>No. of Apts.</u> | | <u>No. of Apts.</u> |
|---|---------------------|---------------------------------------|---------------------|
| <input type="checkbox"/> Commercial | _____ | <input type="checkbox"/> Industrial | _____ |
| <input checked="" type="checkbox"/> Residential | <u>37</u> | <input type="checkbox"/> Agricultural | _____ |
| <input type="checkbox"/> Timeshare/Hotel | _____ | <input type="checkbox"/> Recreational | _____ |
| <input type="checkbox"/> Other: | _____ | | _____ |

5. Special Use Restrictions:

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

Dogs, cats and other household pets in a reasonable number

[X] Pets: confined to Condo Lot.

[X] Number of Occupants: 2 persons per bedroom.

[X] Other: There are special use restrictions in the By-Laws and the House Rules.

[] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Total Apartments 37

Elevators _____ Stairways _____ Trash Chutes _____

| Apt. Type | Qty | BR/Bath | Net Living Area* | Lanai/Patio | Garage |
|-----------|-----------|----------------|------------------|-------------|------------|
| <u>1</u> | <u>12</u> | <u>3/2</u> | <u>959</u> | _____ | <u>358</u> |
| <u>2</u> | <u>13</u> | <u>3/2-1/2</u> | <u>1,022</u> | _____ | <u>380</u> |
| <u>3</u> | <u>12</u> | <u>4/3</u> | <u>1,174</u> | _____ | <u>387</u> |
| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |

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

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

Boundaries of Each Apartment:

Each apartment consists of all improvements comprising the dwelling unit within each Condo Lot and all other improvements within the Condo Lot and all other improvements within the Condo Lot that do not service any other apartment.

Permitted Alterations to Apartments:

Any alterations or additions within an apartment or within a limited common element appurtenant to and for the exclusive use of such apartment shall require only the prior written approval of the Lessor and the Board.

7. Parking Stalls:

Total Parking Stalls: 74 (NOTE: Each apartment contains a two (2) car garage.)

| | <u>Regular</u> | | <u>Compact</u> | | <u>Tandem</u> | | <u>TOTAL</u> |
|---------------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|---------------|
| | <u>covered</u> | <u>open</u> | <u>covered</u> | <u>open</u> | <u>covered</u> | <u>open</u> | |
| Assigned (for individual units) | <u>74</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Guest | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unassigned | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Extra Available for Purchase | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Other: | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Covered & Open | <u>74</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Each apartment will have the exclusive use of at least 2 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

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

8. Recreational and Other Common Facilities:

- There are no recreational or common facilities.
- Swimming pool
- Recreation Area
- Tennis Court
- Storage Area
- Laundry Area
- Trash Chute
- Other: SEE EXHIBIT "D"

9. Present Condition of Improvements

(For conversions of residential apartments in existence for five years):

a. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

b. Compliance with Building Code and Municipal Regulations; Cost to Cure Violations

10. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

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

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

| | <u>Conforming</u> | <u>Non-Conforming</u> | <u>Illegal</u> |
|------------|-------------------|-----------------------|----------------|
| Uses | <u> x </u> | <u> </u> | <u> </u> |
| Structures | <u> x </u> | <u> </u> | <u> </u> |
| Lot | <u> x </u> | <u> </u> | <u> </u> |

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

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

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

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

1. Common Elements: Common Elements are those parts of the condominium project intended to be used by all apartment owners. They are owned jointly by all apartment owners.

Exhibit "E" describes the common elements.

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

[] There are no limited common elements in this project.

[X] The limited common elements and the apartments which may use them are:

[X] described in Exhibit "F"

[] as follows:

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

[] Exhibit _____ describes the common interests for each apartment.

[X] as follows:

Each of the apartments has appurtenant thereto the following undivided percentage ownership in all the common elements of the Project, such interest being defined and referred to herein 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:

| | | | |
|-----------------------|-----------|--------|------------------|
| Each apartment but | | | |
| for Apartment No. 70: | 2.7027027 | x 36 = | 97.2972972 |
| Apartment No. 70: | 2.7027028 | x 1 = | <u>2.7027028</u> |

TOTAL: 100%

E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property.

Exhibit "G" describes the encumbrances against the title contained in the title report dated October 6, 1987.

Blanket Liens:

A blanket lien is a mortgage on a condominium project that secures a construction loan. It is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

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

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

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

Type of Lien

Effect on Buyer's Interest
If Developer Defaults

Bank of Hawaii mortgages

Buyer's interest could be terminated and Buyer would receive a refund, less costs.

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

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

The initial managing agent for this condominium is:

[X] not affiliated with the Developer.

[] the Developer or the Developer's affiliate.

[] other _____

G. Estimate of Initial Maintenance Fees:

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

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

Exhibit "H" contains a schedule of maintenance fees and maintenance fee disbursements.

H. Utility Charges for Apartments:

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

- | | |
|--------------------------------------|---|
| <input type="checkbox"/> Electricity | <input type="checkbox"/> Television Cable |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Water & Sewer |
| <input type="checkbox"/> Other _____ | |

I. Construction Warranties:

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

1. Building and Other Improvements:

The Developer has a written one-year "New Home Limited Warranty", and a copy of this warranty is attached as EXHIBIT "I".

2. Appliances:

The Developer's New Home Limited Warranty does not cover appliances, fixtures, carpeting or other consumer items installed in the home, and the only warranty, if any, is the warranty of the manufacturer.

J. Status of Construction and Estimated Completion Date:

Construction started in June, 1987, and barring unforeseen events, is expected to be completed during April, 1988.

K. Project Phases:

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

Summary of Developer's Present Plans for Future Development:

The Developer intends on developing up to four additional condominium projects approximately the same size as The Crest at Wailuna, Increment 1, on land located adjacent or near the project and the Declaration of Horizontal Property Regime has provisions for the merger of any such additional condominium projects with the present project. The Developer, however, is not obligated to develop any additional projects.

L. Sales Documents Filed with the Real Estate Commission:

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

Notice to Owner Occupants

Specimen Sales Contract

Exhibit "J" contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated May 18, 1987

Exhibit "K" contains a summary of the pertinent provisions of the escrow agreement.

Other _____

IV. ADDITIONAL INFORMATION NOT COVERED ABOVE

NONE

Buyer's Right to Cancel Sales Contract:

A. Rights Under the Condominium Statute:

Preliminary Report: Sales made by the Developer are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

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

Final Report, Supplementary Report to a Final Report: Sales made by the Developer are binding if:

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

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

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

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

B. Rights Under the Sales Contract:

Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the condominium. These include but are not limited to the:

1. Condominium Public Reports issued by the Hawaii Real Estate Commission.
2. Declaration of Horizontal Property Regime and Condominium Map.
3. Bylaws of the Association of Apartment Owners.
4. House Rules.
5. Escrow Agreement.
6. Hawaii's Condominium Law (Chapter 514A, HRS, as amended; Hawaii Administrative Rules, Chapter 16-107, adopted by the Real Estate Commission).
7. Other WAILUNA RECREATION ASSOCIATION COVENANTS

If these documents are not in final form, the buyer should ask to see the most recent draft.

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Law (Chapter 514A, HRS and Hawaii Administrative Rules Chapter 16-107) are available at the Department of Commerce and Consumer Affairs.

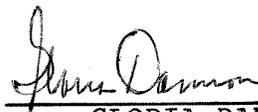
This Public Report is a part of Registration No. 1861 filed with the Real Estate Commission on June 12, 1987.

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Supplementary Public Reports expire on the expiration date given on the front of the report.



GLORIA DAMRON, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:

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

NAMES AND ADDRESSES OF OFFICERS OF THE LUSK COMPANY

| | | |
|-----------------------|---|---|
| JOHN D. LUSK | Chairman of the Board and Chief Executive Officer | 17550 Gillette Ave. Irvine, CA 92714 |
| WILLIAM D. LUSK | Vice Chairman of the Board | 17550 Gillette Ave. Irvine, CA 92714 |
| DONOVAN D. HUENNEKENS | President | 17550 Gillette Ave. Irvine, CA 92714 |
| DONALD D. STEFFENSEN | Executive Vice President and Assistant Secretary | 17550 Gillette Ave. Irvine, CA 92714 |
| JAMES C. WAPLES | Senior Vice President and Assistant Secretary | 17550 Gillette Ave. Irvine, CA 92714 |
| HARRY O. MERRILL | Senior Vice President and Ass't. Secretary | 17550 Gillette Ave. Irvine, CA 92714 |
| JOHN C. HALL | Vice President | 17550 Gillette Ave. Irvine, CA 92714 |
| NANCY K. LUSK | Vice President | 17550 Gillette Ave. Irvine, CA 92714 |
| MARVIN C. STEADMAN | Vice President and Ass't. Secretary | 17550 Gillette Ave. Irvine, CA 92714 |
| CARL B. QUINN | Vice President | 17550 Gillette Ave. Irvine, CA 92714 |
| RICHARD T. DEIHL | Vice President and Secretary | 17550 Gillette Ave. Irvine, CA 92714 |
| PETER J. MICKAEL | Vice President and Ass't. Secretary | 17550 Gillette Ave. Irvine, CA 92714 |
| W. KENT WEATHERS | Treasurer and Ass't. Secretary | 17550 Gillette Ave. Irvine, CA 92714 |

DEVELOPER'S (SELLER'S) RIGHT TO MODIFY THE DECLARATION, ETC.

Seller reserves the right to modify the Declaration, By-Laws, Apartment Lease, and the documents relating to the Recreation Association, provided that no such modification shall:

- (a) Increase the Buyer's share of common expense;
- (b) Increase the purchase price for the Property covered thereby;
- (c) Reduce the obligations of the Seller for common expenses on unsold apartments; or

The Seller further reserves the right to make changes to the site plan, the grading, the walls, the condominium lots, the apartments, and the common elements but if any such changes are made which shall:

- (a) directly, substantially and adversely affect the use or value of (1) the Buyer's apartment or appurtenant limited common elements, or (2) those amenities of the Project available for the Buyer's use; or
- (b) substantially reduce the size of the home herein described; or
- (c) move the proposed physical location of the home on the condominium lot by more than twenty-four (24) inches with respect to the side boundary of the condominium lot or by more than forty-eight (48) inches with respect to the front and back boundary lines; or
- (d) increase or reduce the size of the condominium lot that has the same numerical number as the home by more than twenty (20%) percent (NOTE: if the size of the condominium lot changes, the placement or location of any walls will also change accordingly),

then, and in any such event, Buyer shall have the right to terminate the Sales Agreement and receive back all of Buyer's funds without interest, and both parties shall be released of all obligations and liabilities hereunder.

TERM OF LEASE

The unexpired term of the Lease shall be at least fifty (50) years when the lease is transferred to the Buyer.

RENT SCHEDULE

The annual rent payable for each apartment, net over and above all taxes, assessments and other charges hereunder, is as follows:

- (a) \$1,040.00 per annum from the date of commencement of said term for the first ten years;
- (b) \$1,820.00 per annum for the next ten-year period;
- (c) \$3,185.00 per annum for the next ten-year period;
- (d) For and during the remaining period of said term, such annual rent as shall be determined by written agreement of Lessor and Lessee or, if they fail to reach such agreement at least 90 days before the commencement of such period, as shall be equal to Lessee's proportionate share (as established for said apartment by the Declaration) of eight percent (8%) of the then fair market value of said land comprising the whole site of the project or equal to Lessee's said proportionate share of the then current fair market rental value of said land, in either case exclusive of any buildings thereon and considering the nature and extent of approved development thereof, as determined by appraisal as provided in the apartment lease, whichever is greater.

RECREATIONAL FACILITIES

WAILUNA RECREATION ASSOCIATION

The Project does not have any amenities; however, Wailuna Recreation Association, a Hawaii nonprofit corporation, has been formed to hold a Bishop Estate lease to the parking apartment consisting of twelve (12) parking stalls within the condominium project known as WAILUNA 1 and to hold two Bishop Estate leases for four (4) parks for use by the owners of apartments in the projects known as (i) WAILUNA, consisting of 364 apartments; (ii) The Heights at Wailuna, Increment 1, consisting of thirty-one (31) apartments; (iii) The Heights at Wailuna, Increment 2, consisting of twenty-eight (28) apartments; (iv) The Heights at Wailuna, Increment 3, consisting of thirty (30) apartments; (v) The Heights at Wailuna, Increment 4, consisting of thirty-six (36) apartments; (vi) owners of apartments in this Project; (vii) and for use by owners of apartments in any additional projects developed on adjacent property. The four (4) private parks are briefly described as follows:

(a) An active park on about 0.622 acre of land consisting of certain landscaping, a recreation center, swimming pool and accessory items.

(b) A passive park on approximately 16.5 acres, which shall remain in its natural state and will not be improved.

(c) An active park on approximately 0.562 acre of land consisting of certain landscaping, two tennis courts and accessory items.

(d) An active park on about 13,842 square feet of land consisting of certain landscaping and a recreational center, swimming pool and playground equipment.

Each residential apartment owner shall be a member of Wailuna Recreation Association, a Hawaii nonprofit corporation, and each residential apartment owner shall remain a member thereof until such time as his ownership of such apartment ceases for any reason, at which time his membership in said corporation shall automatically cease. Such membership shall be appurtenant to and may not be separate from ownership of a residential apartment and shall be deemed to be conveyed or encumbered with the residential apartment even though such membership is not expressly mentioned or described in the conveyance or other instrument.

DESCRIPTION OF THE COMMON ELEMENTS

1. The land of the Project in fee simple described in Exhibit "A" of the Declaration of Horizontal Property Regime for The Crest at Wailuna, Increment 1:

2. All yards, grounds and landscaping, loading zone, roads, the sidewalks within the road areas, walls, and driveways. (NOTE: all the foregoing is as shown on said Condo Map except for the landscaping. The walls and also the sidewalks within the road that are common elements are shown on the Site Plan which is a part of said Condo Map. The location of the walls and other improvements may vary somewhat from location shown on the Condo Map);

3. All ducts, electrical equipment, wiring, pipes and other central and appurtenant transmission facilities, installations over, under and across the land of the Project which serve more than one apartment for services such as power, light, water, gas, drainage, sewer, telephone and radio and television signal distribution (NOTE: There are conduits within the Condo lots that are common elements).

4. Any and all 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.

DESCRIPTION OF THE LIMITED COMMON ELEMENTS

Certain parts of the common elements, herein called and designated "limited common elements", are hereby 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:

(1) The various separate land areas numbered 19 through 35 and 67 through 79 and 99 through 105, as shown on said Condo Map are limited common elements. Each of the apartments has appurtenant thereto as a limited common element the land area having the same number as said apartment. (NOTE: The limited common area designated as land areas 19 through 35 and 67 through 79 and 99 through 105 are sometimes herein referred to as a Condo lot. The square footage of a Condo lot may vary somewhat from that shown on the Condo map.)

(2) All other common elements of the Project which are rationally related to less than all of said apartments shall be limited to the use of such apartments.

All limited common elements, costs and expenses, including but not limited to, maintenance, repair, replacement, additions and improvements, shall be charged to the owner of the apartment to which the limited common elements are appurtenant, and all such charges shall be collected in the same manner as common expenses and the Association shall have a lien against apartments for any unpaid charges in accordance with paragraph 9 of the Declaration.

NOTE: A "Condo lot" is not a legally subdivided lot and ownership thereof does not vest an owner with the same rights under County ordinances and codes as one who possesses a subdivided lot as now defined by the County.

ENCUMBRANCES AGAINST THE TITLE

1. LEASE NO. 6600 dated July 1, 1940, recorded in Liber 1627 at Page 326, by and between THE TRUSTEES UNDER THE WILL AND OF THE ESTATE OF BERNICE P. BISHOP, DECEASED, "Lessor", and HONOLULU PLANTATION COMPANY, "Lessee", as amended; leasing and demising the land described herein, besides other land. Said Lease, as amended, was assigned to OAHU SUGAR COMPANY, LIMITED, by instrument dated January 1, 1947, recorded in Liber 2031 at Page 166.

2. (A) Unrecorded DEVELOPMENT AGREEMENT dated August 29, 1960, by and between the TRUSTEES OF BERNICE PAUHI BISHOP ESTATE and AMERICAN FACTORS, LIMITED, as amended by unrecorded instruments dated November 23, 1960, March 14, 1963, June 23, 1964, September 5, 1967 and April 9, 1968, and further amended by instrument dated May 4, 1978, recorded in Liber 12908 at Page 592, and unrecorded instrument dated February 4, 1986, covering the land described herein, besides other land. The development rights under the foregoing Development Agreement by mesne assignments were assigned by HPD DEVELOPMENTS, a Hawaii joint venture, consisting solely of Lear Siegler, Inc., a Delaware corporation, and Lear Siegler Properties, Inc., a Delaware corporation, to the LUSK COMPANY, formerly known as JOHN D. LUSK & SON, a California corporation, by PARTIAL ASSIGNMENT OF DEVELOPMENT RIGHTS dated February 4, 1986, recorded in Liber 19683 at Page 532. Consent thereto given by the Trustees of the Estate of Bernice Pauahi Bishop.

(B) Those certain sewer rights and water rights under that certain unrecorded SEWER AGREEMENT dated August 14, 1975, by and between the CITY AND COUNTY OF HONOLULU and AMFAC-TROUSDALE, a joint venture, consisting solely of Lear Siegler, Inc. , a Delaware corporation, and Lear Siegler Properties, Inc., a Delaware corporation, as it affects the premises described in the above unrecorded Development Agreement, besides other land; said sewer

rights and waters rights presently being held by THE LUSK COMPANY, formerly known as JOHN D. LUSK & SON, a California corporation, by PARTIAL ASSIGNMENT OF SEWER RIGHTS AND WATER RIGHTS dated February 4, 1986, recorded in Liber 19683 at Page 523.

Said Development Agreement and Sewer Agreement are subject to the following:

MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT

MORTGAGOR : THE LUSK COMPANY, formerly known as JOHN D. LUSK & SON, a California corporation

MORTGAGEE : BANK OF HAWAII, a Hawaii corporation

DATED : July 8, 1986

RECORDED : Liber 19683 Page 542

AMOUNT : \$6,216,900.00 - covers the land described herein, besides other land

3. Easement "E-4" (area 229 square feet) for switching pad purposes.

4. Easement "10" (area 21,296 square feet) for roadway and utility purposes, as shown on the map prepared by Harry K. Matsuo, Registered Professional Land Surveyor, dated May 28, 1986, revised August 4, 1986.

5. Easement "11" (area 8,078 square feet) for roadway and utility purposes, as shown on the map prepared by Harry K. Matsuo, Registered Professional Land Surveyor, dated May 28, 1986, revised August 4, 1986.

6. Easement "12" (area 6,078 square feet) for roadway and utility purposes, as shown on the map prepared by Harry K. Matsuo, Registered Professional Land Surveyor, dated May 28, 1986, revised August 4, 1986.

7. Easement "13" (area 4,829 square feet) for roadway and utility purposes, as shown on the map prepared by Harry K. Matsuo, Registered Professional Land Surveyor, dated May 28, 1986, revised August 4, 1986.

8. Easement "14" (area 905 square feet) for access and utility purposes, as shown on the map prepared by Harry K. Matsuo, Registered Professional Land Surveyor, dated May 28, 1986, revised August 4, 1986.

9. AGREEMENT FOR ISSUANCE OF SPECIAL USE PERMIT UNDER SECTION 21-2.71 OF THE COMPREHENSIVE ZONING CODE OF THE CITY AND COUNTY OF HONOLULU (AM. ORD. 3234) dated December 17, 1981, recorded in Liber 16210 at Page 16, by the TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP, "Declarant", as amended by instruments dated June 15, 1982, recorded in Liber 16546 at Page 182, dated June 15, 1982, recorded in Liber 16609 at Page 600, dated April 17, 1986, recorded in Liber 19548 at Page 173, and dated August 27, 1986, recorded in Liber 19948 at Page 427.

10. DECLARATION (WAILUNA, TOP OF THE RIDGE) dated March 8, 1983, recorded in Liber 18437 at Page 711.

11. AGREEMENT FOR ISSUANCE OF SPECIAL USE PERMIT, TYPE 1, UNDER SECTION 4.40-17 OF THE LAND USE ORDINANCE OF THE CITY AND COUNTY OF HONOLULU (ORD. NO. 86-96) dated August 27, 1986, recorded in Liber 20061 at Page 239, by the TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP, "Declarant"; joinder and consent by THE LUSK COMPANY, a California corporation.

12. Terms, agreements, reservations, covenants, conditions and provisions contained in that certain Lease No. 27,642 dated October 28, 1986, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 20315, Page 473, by and between the TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP, as "Lessor", and THE LUSK COMPANY, a California corporation, as "Lessee".
13. Final subdivision approval by the Department of Planning.
14. Real property taxes as may be due and owing.
15. Reservation of all mineral and metallic mines in favor of the State of Hawaii.
16. Possible mechanics' liens because of construction work in progress.

In addition to the foregoing, certain encumbrances were recorded after the date of the title report. They are: Declaration, By-Laws and Condominium Map as noted on page 7 of this Public Report.

EXHIBIT "H"

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

| <u>Apartment</u> | <u>Monthly Fee</u> x 12 months = <u>Yearly Total</u> |
|------------------|--|
| ALL APARTMENTS | \$78 + \$19 = \$97 x 12 = \$1,164 |

*NOTE: RECREATION DUES ARE \$19 PER MONTH.

[] Revised on _____

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

Estimate of Maintenance Fee Disbursements:

Monthly x 12 months = Yearly Total

Utilities and Services

Air Conditioning

Electricity

common elements only
 common elements
and apartments

\$ 185.00

\$ 2,220.00

Gas

Refuse Collection

Telephone

Water and Sewer

600.00

7,200.00

Maintenance, Repairs and Supplies

Building

100.00

1,200.00

Grounds

1,050.00

12,600.00

Management

Management Fee

300.00

3,600.00

Payroll and Payroll Taxes

Office Expenses

20.00

240.00

Insurance

475.00

5,700.00

Reserves

50.00

600.00

Taxes and Government Assessments

18.00

216.00

Audit Fees

70.00

840.00

Other

18.00

216.00

\$2,886.00

\$34,632.00

RECREATION DUES

703.00

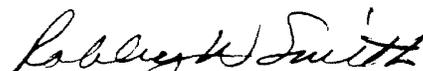
8,436.00

TOTAL

\$3,589.00

\$43,068.00

I/We, CERTIFIED MANAGEMENT, as managing agents for the condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



Robley W. Smith, CPA

Date: May 15, 1987

New Home Limited Warranty

IMPORTANT: Sales representatives are not authorized to modify or add to the terms of this warranty policy. The Builders standard New Home Limited Warranty Policy is as follows:

1. Subject to the provisions of this policy, we will correct any defect in the structural components of your home due to faulty materials or workmanship of which we receive written notice during the one-year period following the date of close of escrow, or the date you take possession, whichever occurs earlier (the "warranty year"). The foregoing shall only apply to the structural components of your home which include the walls, wall covering, floors, ceilings, roof, doors, cabinets, shelves, closets, patios, balconies, bathroom fixtures, railings, shingles, gutters and windows. The foregoing shall also apply to the structural components of the plumbing, electrical, heating and air conditioning systems (if any) which include such things as ducting, wiring and pipes. This warranty shall not extend to any portion of the plumbing, electrical, heating and air conditioning systems which are not a part of the structural component of your home or which carry an express warranty by the manufacturer thereof. The structural component does not include any appliances, equipment or other "consumer" items which may be attached to the structural component, such as a smoke alarm installed in a bearing wall or the water heater attached to the hot water pipes. These consumer items are not a part of the structural component for the purposes of the Warranty, but they are generally warranted by the manufacturers thereof and you should look directly to the manufacturers for service on these items. Obviously, any item can be a "consumer" item depending on how it is sold, but we consider an item to be part of the structural component of your home if it has no separate function other than as part of the house. If a defect appears which the owner thinks is covered by the Limited Warranty, he must notify us in writing of the defect within a reasonable time following its discovery, but in no event later than one (1) week after the end of the applicable warranty period. Upon receipt of a written report of a defect, if the defective item is covered by this Limited Warranty, we will repair or replace it at no charge to the homeowner, within sixty (60) days (longer if weather conditions, labor problems or material shortages cause delays). The work will be done by us, or by a subcontractor of our choice. The choice between repair or replacement is also ours. Our sole responsibility under this warranty shall be to restore

your home to the condition existing at the time the defect occurred. We do not take responsibility for any secondary damage caused by the defect, including, without limitation, damage to your personal property.

2. We will warrant all concrete, brick, stone and other masonry against substantial defects for a period of one (1) year. However, we will repair only those cracks in house slabs, basement floor and walls, garage slabs, walks and other masonry which substantially interrupt the plane of surface or affect its structural value and integrity. We will not assume responsibility for hairline cracks in concrete, plaster, drywall, masonry, ceramic tile and other rigid materials which occur due to normal expansion, contraction and settlement; the foregoing shall, without limitation, apply to hairline cracks in walls, driveways, garage floors, patios, and balconies, and to ceramic tile in the kitchen, shower, bathroom and entryway areas. We will not be responsible for and will not repair minor separation of ceramic tile grout at the tub line or at the intersection of a wall and floor where it is adjoined with other material resulting in loose grout.

3. We will make minor repairs such as doors sticking, cabinet drawer adjustments, failure of electrical plugs and operating fixtures, leaking faucets, tile caulking and the like only if brought to our attention in writing during the thirty (30) day period following the close of escrow or the date you take possession, whichever occurs first.

4. We will only correct defects or smudges of painted surfaces, counter tops, chipping of porcelain or tile in the kitchen, sinks, bathtub or elsewhere, chipped or otherwise defective surfaces of plumbing fixtures, torn or defective screens, defects in cabinet surface or finish, broken window or mirrored glass or similar defects readily visible to the human eye which go beyond industry standards or normal production tolerances and which are noted at the time of your Pre-move-in Inspection. The foregoing does not apply to hairline cracks in rigid materials which are covered above.

We will not be responsible for normal fading, chalking, or checking of paint or stucco which is not in excess of industry standards, which may occur due to sunlight or exposure to the elements. Where we do engage in paint and stucco repairs or patching, we do not warrant that the new paint or stucco will match perfectly with the old.

5. Plumbing drains are tested for proper operation before occupancy and we will only take responsibility for

stoppages which are reported to us in writing within thirty (30) days after you take possession of your home. We will warrant the structural components of the plumbing system to be in proper working order and free from defective materials and workmanship for a period of one (1) year; provided, however, that normal maintenance items such as toilet adjustments and repair of dripping faucets are limited to a thirty (30) day warranty period. This warranty does not extend to the water heater or external plumbing fixtures, or any other portion of the plumbing system which is not a part of the structural component of your home or which carries an express warranty by the manufacturer of that part. Nor does this Warranty include the system or any of its parts which became defective through faulty operation, lack of routine maintenance, or alteration by the homeowner or his agents. Any costs we incur to eliminate a stoppage, whether or not reported within the thirty (30) day period, resulting solely from your use of the home will be billed to you.

6. We will warrant the electrical system for a period of one (1) year as follows: that the electrical system has been installed in accordance with good electrical practice and meets inspection agency standards. This warranty does not extend to the electrical system which is not a part of the structural component of your home, including light bulbs and light fixtures, or which carries an express warranty by the manufacturer of that part. Nor does this warranty include the system or any of its parts which become defective through faulty operation, lack of routine maintenance, or alteration by the homeowner or his agents.

7. The provisions of this policy are not transferable and only extend to the original buyer of each home if such original buyer occupies the home as his principal residence or purchases with the intent to occupy as his principal residence. In any event, the warranty herein provided shall automatically terminate as to the home when the original buyer ceases to occupy the home, upon the sale (by grant deed, installment land sales contract or otherwise) or lease of the home by the original buyer, or upon the expiration of the warranty year, whichever first occurs. Steps taken by the Builder to correct any defects shall not extend the warranty year beyond its initial one (1) year term.

8. Except as provided herein, the Builder makes no express warranty as to materials or workmanship. Without limiting the generality of the foregoing, we make no express warranties as to any appliances, fixtures, carpeting or other consumer items installed in your home and which are not part of

the structural component thereof, nor do we adopt any express or implied warranties made by the manufacturers of such items. Any warranty claims on such consumer items should be made directly to the manufacturer of a defective item and not to the Builder. Rights under these manufacturers' warranties flow directly from the manufacturer to you, and you should consult these warranties for the terms and periods of coverage. The following are examples of such warranties, though not every home includes all of these items and some homes may include appliances or equipment not in this list:

| | | |
|-----------------------|-----------------|----------------------|
| Refrigerator | Range | Space Heater |
| Furnace | Washing Machine | Hot Water Heater |
| Dryer | Dishwasher | Garbage Disposal |
| Ventilating Fans | Air Conditioner | Boiler |
| Heat Pump | Exhaust Fan | Electric Air Cleaner |
| Thermostat | Sump Pump | Humidifier |
| Central Vacuum System | Smoke Detector | Fire Alarm |
| Fire Extinguisher | Chimes | Garage Door Opener |
| Water Pump | Intercom | Burglar Alarm |
| Electric Meter | Water Meter | Gas Meter |
| Barbeque Grill | Whirlpool Bath | Water Heater |
| Water Softener | Freezer | Trash Compactor |
| Oven (and hood) | Ice Maker | |

9. The provisions of this policy shall not extend to, and we shall not be responsible to repair any portion of your home, structural or otherwise, which you or your employees or contractors have modified or added to in any way, including without limitation attempted repairs.

The provisions of this policy also do not extend to damage due to ordinary wear and tear, damage due to lack of proper maintenance, or damage due to abusive or unwarranted use.

I (We) have received a copy of this policy.

BUYER:

SUMMARY OF SALES CONTRACT

1. The sales agreement contains the price and other terms and conditions under which a buyer will agree to buy an apartment in the project.

2. The contract provides for the buyer to get a copy of certain legal documents that buyer should closely examine.

3. The contract provides for severe penalties if buyer fails to comply with the terms and conditions of the contract.

4. The purchaser must complete the sale and purchase of the apartment by a certain date and pay closing costs, in addition to the purchase price.

5. The purchaser will not receive interest on deposits made under the sales agreement.

6. The purchaser's money will be held in escrow under the terms of the Escrow Agreement for the project.

7. The purchase agreement and the rights of the buyer under the purchase agreement is subordinate to the lien of the Bank of Hawaii mortgages on the property.

8. The project will be subject to ongoing construction and sales activities which will result in certain annoyances to the buyer.

9. The Developer is making no warranties or representations in connection with the sale of any of the apartments, except for its written limited warranty.

This is merely a highlighted summary of certain of the terms and conditions of the sales contract, and any buyer should review all the terms and conditions of the sales agreement before signing.

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement sets up an arrangement under which the payments which a purchaser makes under a Sales Contract will be held by a neutral party ("Escrow"). Under the Escrow Agreement these things will or may happen:

- (a) Escrow will let purchasers know when payments are due.
- (b) Escrow will arrange for purchasers to sign all necessary documents.
- (c) The Escrow Agreement says under what conditions a refund will be made to a purchaser.
- (d) The Escrow Agreement says what will happen to a purchaser's funds upon a default under the Sales Contract.

The Escrow Agreement contains many other provisions and establishes certain charges that may be incurred by the purchaser, and the purchaser should carefully read the entire Escrow Agreement.