CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer West Beach Estates, a Hawaii general partnership

Address 91-100 Kamoana Place, Ewa Beach, Hawaii 96707

Project Name(*): PAE KŌ GARDENS

Address: Honouliuli, District of Ewa, Honolulu, Hawaii

Registration No. 2990

Effective date: December 27, 1993

Expiration date: January 27, 1995

Preparation of this Report:

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

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

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

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

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

Type of Report:

X **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.

[ ] No prior reports have been issued.
[ ] This report supersedes all prior public reports.
[ ] This report must be read together with _____

_ **SUPPLEMENTARY** (pink) This report updates information contained in the:

[ ] Preliminary Public Report dated: _____
[ ] Final Public Report dated: _____
[ ] Supplementary Public Report dated: _____

And

[ ] Supersedes all prior public reports
[ ] Must be read together with _____
[ ] This report reactivates the _____ public report(s) which expired on _____

(*) Exactly as named in the Declaration

FORM: RECO-30 286/986/189/1190/892

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[ ] Required and attached to this report [X] 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.

[X] No prior reports have been issued by the developer.

[ ] Changes made are as follows:

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General Information on Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: West Beach Estates (Name) — Phone: 673-7678 (Business)

91-100 Kamoana Place (Business Address)

Ewa Beach, Hawaii 96707

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

Horita Corporation, a Hawaii corporation - General Partner

SKG Properties, a Hawaii general partnership - General Partner

Real Estate Broker: Herbert K. Horita Realty, Inc. (Name) — Phone: 847-4241 (Business)

2024 North King Street, Suite 200 (Business Address)

Honolulu, Hawaii 96819

Escrow: Developers Escrow Services, Inc. (Name) — Phone: 848-2340 (Business)

2024 North King Street, Suite 202 (Business Address)

Honolulu, Hawaii 96819

General Contractor: [unknown] To be selected. (Name) — Phone: _____ (Business)

(Business Address)

Condominium Managing Agent: Realty Management Corporation (Name) — Phone: 848-2373 (Business)

2024 North King Street, Suite 210 (Business Address)

Honolulu, Hawaii 96819

Attorney for Developer: Dinman Nakamura Elisha & Lahne (Name) — Phone: 523-7021 (Business)

707 Richards Street, Penthouse One (Business Address)

Honolulu, Hawaii 96813

II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

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

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

The Declaration for this condominium is:

[X] Proposed
[ ] Recorded - Bureau of Conveyances Document No. _____
Book _____ page _____
[ ] Filed - Land Court Document No. _____

The Declaration referred to above has been amended by the following instruments [state name of document, date 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:

[X] Proposed
[ ] Recorded - Bureau of Conveyances Condo Map No. _____
[ ] Filed - Land Court Condo Map No. _____

The Condominium Map has been amended by the following instruments [state name of document, date 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 manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

[X] Proposed
[ ] Recorded - Bureau of Conveyances Document No. _____
Book _____ page _____
[ ] Filed - Land Court Document No. _____

The Bylaws referred to above have been amended by the following instrument [state name of document, date 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 limited common elements. House rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial house rules are usually adopted by the developer.

The House Rules for this condominium are:

[X] Proposed [ ] Adopted [ ] Developer does not plan to adopt house rules.

E. **Changes to Condominium Documents**

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

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

	Minimum Set by Law	This Condominium
Declaration (and Condo Map)	75%*	75%
Bylaws	65%	65%
House Rules	---	Board of Directors

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

2. Developer:

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

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

See EXHIBIT "A"

III. THE CONDOMINIUM PROJECT

A. **Interest to be Conveyed to Buyer:**

[X] Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.

[ ] Leasehold or Subleasehold: Individual apartments and the common elements, which include the underlying land, will be leasehold.

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

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

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.

For Subleaseholds:

[ ] Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:
[ ] Canceled [ ] 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 canceled or foreclosed.

[ ] Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Subleasehold:

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 at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

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:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. **Underlying Land:**

Address: Honouliuli, District of Ewa
Honolulu, Hawaii

Tax Map Key: (1) 9-1-16-35
(TMK)

[X] Address [ ] TMK is expected to change because Project has not been assigned a street address

Land Area: 7.504 [ ] square feet [X] acre(s) Zoning: A-1

Fee Owner: Housing Finance and Development Corporation
Name
677 Queen Street, Suite 300
Address
Honolulu, Hawaii 96813

Sublessor: n/a
Name

Address

C. **Buildings and Other Improvements**:

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

2. Number of Buildings: 16 Floors Per Building two

[ ] Exhibit _____ contains further explanations.

3. Principal Construction Material:

[X] Concrete [ ] Hollow Tile [X] Wood

[ ] Other _____

4. Permitted Uses by Zoning:

	No. of Apts.	Use Determined By Zoning			No. of Apts.	Use Determined By Zoning	
[X] Residential	128	[X] Yes	[ ] No	[ ] Ohana		[ ] Yes	[ ] No
[ ] Commercial		[ ] Yes	[ ] No	[ ] Industrial		[ ] Yes	[ ] No
[ ] Mix Res/Comm		[ ] Yes	[ ] No	[ ] Agricultural		[ ] Yes	[ ] No
[ ] Hotel		[ ] Yes	[ ] No	[ ] Recreational		[ ] Yes	[ ] No
[ ] Timeshare		[ ] Yes	[ ] No	[ ] Other:		[ ] Yes	[ ] No

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

5. Special Use Restrictions:

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

[X] Pets: Dogs, cats and other customary household animals may be kept in reasonable numbers, pursuant to rules and regulations determined by the Board of Directors

[ ] Number of Occupants: _____

[X] Other: Residential apartments occupied and used for residential purposes only

[ ] There are no special restrictions.

6. Interior (fill in appropriate numbers):

Elevators: n/a Stairways: n/a Trash Chutes: n/a

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Laundry & Entry Areas (sf)
A	4	1/1	505	254
B	4	1/1	505	324
C	48	2/1	704	254
D	48	2/1	704	324
E	12	3/2	947	254
F	12	3/2	947	324

Total Apartments: 128

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

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

Boundaries of Each Apartment:

See EXHIBIT "B"

Permitted Alterations to Apartments:

See EXHIBIT "C"

7. Parking Stalls:

Total Parking Stalls: 272

	Regular		Compact		Tandem		
	covered	open	covered	open	covered	open	TOTAL
Assigned (for each unit)		152		108			260
Guest							
Unassigned							
Extra for Purchase							
Other: Handicap		12					12
Total Covered & Open	164		108				

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 [ ] Storage Area [ ] Recreation Area

[ ] Laundry Area [ ] Tennis Court [ ] Trash Chute

[X] Other: Community Building

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

[X] There are no violations. [ ] Violations will not be cured.

[ ] Violations and cost to cure are listed below. [ ] Violations will be cured by _____

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

N/A

11. Conformance to Present Zoning Code

a. [X] 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 does not now conform to present zoning requirements.

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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

[X] described in Exhibit "D".

[ ] as follows:

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

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

[X] The limited common elements and the apartments which use them, as described in the declaration, are:

[ ] described in Exhibit "E".

[ ] as follows:

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

[X] described in Exhibit "F".

[ ] as follows:

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

Exhibit "G" describes the encumbrances against the title contained in the title report dated September 8, 1993 and issued by Island Title Corporation.

Blanket Liens:

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

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

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

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

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance

F. **Construction Warranties:**

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

1. Building and Other Improvements:

   Assignment of Contractor's Warranties, if any.

2. Appliances:

   Assignment of unexpired term, if any, of any manufacturers' warranties.

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

Construction has not begun, as a builder has not yet been selected. However, the developer anticipates an estimated completion date of December, 1994.

H. **Project Phases:**

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

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

None

IV. CONDOMINIUM MANAGEMENT

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

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

The initial condominium managing agent for this condominium is:

[ ] not affiliated with the Developer.
[ ] self-managed by the Association of Apartment Owners
[X] the Developer or the Developer's affiliate.
[ ] other_____

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

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, you 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.

Exhibit "H" contains a schedule of maintenance fees and maintenance fee disbursements (subject to change).

C. **Utility Charges for Apartments**:

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

[ ] None [X] Electricity (common area only) [ ] Gas [X] Water

[X] Sewer [ ] Television Cable [X] Other telephone for community building office; refuse collection

I. MISCELLANEOUS

A. **Sales Documents Filed with the Real Estate Commission:**

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

[ ] Notice to Owner Occupants - Exempt pursuant to §514A-108(a), Hawaii Revised Statutes.

[X] Specimen Sales Contract
Exhibit "I" contains a summary of the pertinent provisions of the sales contract.

[X] Escrow Agreement dated October 19, 1993
Exhibit "J" contains a summary of the pertinent provisions of the escrow agreement.

[ ] Other _____

B. **Buyer's Right to Cancel Sales Contract:**

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

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

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

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

A) The Developer delivers to the buyer a copy of:
   1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission;

   AND

   2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer is given an opportunity to read the report(s); AND

C) One of the following has occurred:
   1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
   2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
   3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; AND

B) The buyer has not waived the right to rescind.

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyer's should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
B) Declaration of Condominium Property Regime.
C) Bylaws of the Association of Apartment Owners.
D) House Rules.
E) Condominium Map.
F) Escrow Agreement.
G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
H) Other Declaration of Covenants, Conditions and Restrictions of Villages of Kapolei and By-Laws of Villages of Kapolei Association

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 Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107, are available at the Cashier's Office, Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P. O. Box 541, Honolulu, HI 96809, at a nominal cost.

This Public Report is a part of Registration No. 2990 filed with the Real Estate Commission on November 1, 1993.

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C. **Additional Information Not Covered Above**

The apartments are reserved housing units developed in accordance with Chapter 201E, Hawaii Revised Statutes, and are therefore subject to certain conditions, restrictions and requirements in respect to resale, use, and occupancy. The sales contracts and apartment deeds will contain provisions restricting the resale of the apartments and the shared appreciation/equity program. These documents should be reviewed carefully before one purchases a unit, as they provide for certain restrictions on transfer. See Exhibits B and C of the Purchase Agreement, which discuss the ten (10) year buyback and shared appreciation programs to which the sale of all units will be subject to.

D. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

West Beach Estates, a Hawaii general partnership
Name of Developer

By: _____ October 5, 1993
Duly Authorized Signatory Date
By: Its General Partner
HORITA CORPORATION
by Ronald K. Watase, Its Vice President & Treasurer
print name & title of person signing above

Distribution:

Department of Finance, City and County of Honolulu
Planning Department, City and County of Honolulu
Federal Housing Administration

EXHIBIT "A"

Developer's Reserved Rights to Change the Declaration of Condominium Property Regime, By-Laws, House Rules, and Condominium Map

Developer may amend the Declaration, By-Laws, House Rules, and Condominium Map as follows:

(1) By filing the "as built" verified statement (with plans, if applicable) required by Section 514A-12, Hawaii Revised Statutes, (i) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans theretofore filed fully and accurately depict elevations of the buildings, layout, location, apartment numbers, and dimensions of the apartments as built, or (ii) so long as any plans filed therewith involve only immaterial changes to the elevations of the buildings, layout, location, apartment numbers, or dimensions of the apartments as built; and

(2) By filing an amendment to the Declaration and Condominium Map to change the designation of parking stalls and/or mailboxes as limited common elements appurtenant to particular apartments; and

(3) To effect any changes or amendments required by law, any title insurance company, or any institutional mortgagee, or as may be required by an administrative agency of any state, territory, possession, or foreign country or other foreign jurisdiction as a condition precedent to marketing the Project.

EXHIBIT "B"

BOUNDARIES OF EACH APARTMENT: Each apartment shall be deemed to include: (1) all walls and partitions which are not load-bearing within its perimeter walls, (2) all pipes, shafts, wires, ducts, pumps, cables, conduits, and other utility or service lines running through such apartment which are utilized for and serve only that apartment, (3) the inner decorated or finished surfaces of all walls, floors, and ceilings, (4) all doors, door frames, windows, and window frames (including but not limited to sliding glass doors, windows, or panels along the perimeters), and (5) all fixtures, appliances, built-in cabinets, carpets and floor coverings, and furnishings installed therein.

EXHIBIT "C"

PERMITTED ALTERATIONS TO APARTMENTS: (1) No apartment owner shall use his or her apartment for any purpose which will injure the reputation of the Project, or suffer anything to be done or kept in his or her apartment or elsewhere in the Project which will: (a) jeopardize the soundness of any of the buildings or other improvements, (b) interfere with or unreasonably disturb the rights of other owners or occupants, (c) obstruct any walkway, stairway, or corridor of any of the buildings, (d) increase the rate of fire insurance on any of the buildings or the contents thereof, or (e) reduce the value of the premises.

(2) No apartment owner shall do any work which could jeopardize the soundness or safety of the Project, reduce the value thereof, or impair any easement or hereditament, nor may any apartment owner add any material structure or excavate any additional basement or cellar, without in every such case the consent of seventy-five per cent (75%) of the apartment owners, together with the consent of all apartment owners whose apartments or limited common elements appurtenant thereto are directly affected, being first obtained; provided that nonmaterial structural additions to the common elements, including the installation of solar energy devices or additions to or alterations of an apartment made within such apartment or within a limited common element appurtenant to and for the exclusive use of the apartment shall require approval only by the Board of Directors and such percentage, number, or group of apartment owners as may be required by this Declaration or in the By-Laws. "Nonmaterial structural additions to the common elements", as used herein, shall mean a structural addition to the common elements which does not jeopardize the soundness or safety of the property, reduce the value thereof, impair any easement or hereditament, detract from the appearance of the Project, interfere with or deprive any non-consenting owner of the use or enjoyment of any part of property, or directly affect any non-consenting owner. "Solar energy device" means any new identifiable facility, equipment, apparatus, or the like which makes use of solar energy for heating, cooling, or reducing the use of other types of energy dependent upon fossil fuel for its generation; provided that if the equipment sold cannot be used as a solar device without its incorporation with other equipment, it must be installed in place and ready to be made operational in order to qualify as a "solar energy device".

(3) Handicapped occupants shall be permitted to make reasonable modifications to their apartments and/or the common elements, at their expense, if such modifications are necessary to enable them to use and enjoy their apartments and/or the common elements, as the case may be.

EXHIBIT "D"

COMMON ELEMENTS: The common elements shall include the limited common elements described below, and all portions of the Project other than the apartments, including specifically, but not limited to:

(a) The Land in fee simple;

(b) All foundations, floor and/or ceiling slabs (including lanai/laundry areas and entry areas), beams, columns, supports, girders, unfinished perimeter and load-bearing walls, walkways, ramps, fences, railings, and roofs;

(c) The parking area, guest parking stalls, loading zones, driveways, roadways, pavements, walkways, refuse facilities, planted areas, grounds, and landscaping;

(d) The community building consisting of a multi-purpose room, an office, a maintenance/storage room, and men's and women's restrooms;

(e) All ducts, electrical equipment, wiring, pipes, and other central and appurtenant transmission facilities and installations over, under, and across the Project which serve more than one apartment for services such as power, light, water, sewer, gas, refuse, telephone, radio and television signal distribution; and

(f) 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.

Certain parts of the common elements (the "limited common elements"), are herein designated and set aside for the exclusive use of certain apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements as follows:

(a) The right to the exclusive use of at least two parking stalls shall be appurtenant to each apartment. The initial assignment of parking spaces appurtenant to each apartment is shown on the Condominium Map;

(b) One mailbox is appurtenant to each apartment, and is designated by the apartment number to which it is appurtenant;

(c) The lanai/laundry area and entry area appurtenant to each apartment, as shown on the Condominium Map; and

(d) All other portions of the Project which serve or are rationally related to less than all of the apartments, or not in common use, the same being limited common elements appurtenant to the apartments served thereby or related thereto.

EXHIBIT "E"

LIMITED COMMON ELEMENTS: The limited common elements shall include certain parts of the common elements designated and set aside for the exclusive use of certain apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements as follows:

(a) The right to the exclusive use of at least two parking stalls shall be appurtenant to each apartment. The initial assignment of parking spaces appurtenant to each apartment is shown on the Condominium Map;

(b) One mailbox is appurtenant to each apartment, and is designated by the apartment number to which it is appurtenant;

(c) The lanai/laundry area and entry area appurtenant to each apartment, as shown on the Condominium Map; and

(d) All other portions of the Project which serve or are rationally related to less than all of the apartments, or not in common use, the same being limited common elements appurtenant to the apartments served thereby or related thereto.

EXHIBIT "F"

Apartment Number	Type	Percentage of Common Interest	Approx. Net Living Area	Lanai/Laundry & Entry Areas
7C, 7D, 8C, 8D	A	.5779%	505	254
7G, 7H 8G, 8H	B	.6312%	505	324
1A, 1B, 1C, 1D, 2A, 2B, 2C, 2D, 3A, 3B, 3C, 3D, 5A, 5B, 5C, 5D, 6A, 6B, 6C, 6D, 9A, 9B, 9C, 9D, 10A, 10B, 10C, 10D, 11A, 11B, 11C, 11D, 12A, 12B, 12C, 12D, 13A, 13B, 13C, 13D, 14A, 14B, 14C, 14D, 16A, 16B, 16C, 16D	C	.7294%	704	254
1E, 1F, 1G, 1H, 2E, 2F, 2G, 2H, 3E, 3F, 3G, 3H, 5E, 5F, 5G, 5H, 6E, 6F, 6G, 6H, 9E, 9F, 9G, 9H, 10E, 10F, 10G, 10H, 11E, 11F, 11G, 11H, 12E, 12F, 12G, 12H, 13E, 13F, 13G, 13H, 14E, 14F, 14G, 14H, 16E, 16F, 16G, 16H	D	.7827%	704	324
7A, 7B, 8A, 8B, 4A, 4B, 4C, 4D, 15A, 15B, 15C, 15D	E	.9144%	947	254
7E, 7F, 8E, 8F, 4E, 4F, 4G, 4H, 15E, 15F, 15G, 15H	F	.9677%	947	324

EXHIBIT "G"

Encumbrances Against Title

1. Title to all minerals and metallic mines reserved to the State of Hawaii.

2. Terms, provisions, covenants and conditions of that certain Housing Finance and Development Corporation-Campbell Estate, Kapolei Village Condemnation Agreement dated April 11, 1989, by and between the State of Hawaii by its Board of Land and Natural Resources, Housing Finance and Development Corporation, the State of Hawaii Department of Transportation, and Trustees under the Will and of the Estate of James Campbell, deceased, filed July 14, 1989, in the Office of the Assistant Registrar of the Land Court, State of Hawaii, as Document No. 1650349. Said document provides for the acquisition of the property by the State of Hawaii through its condemnation powers.

3. Easement 2313, for electrical purposes, as shown on Map 505, as set forth by Land Court Order No. 97282, filed March 21, 1990.

4. Easement 2318, for sewer purposes, as shown on Map 505, as set forth by Land Court Order No. 97282, filed March 21, 1990.

5. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions set forth in the Quitclaim deeds, dated January 3, 1990 and January 4, 1990, filed January 4, 1990, in the Office of the Assistant Registrar of the Land Court, State of Hawaii, as Document No. 1696820, and dated June 20, 1990 and July 9, 1990, in said Office, as Document No. 1745093. Said deeds quitclaimed the interest of the State of Hawaii, by its Board of Natural Resources, as Grantor, to the Housing Finance and Development Corporation, as Grantee.

6. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions set forth in the Declaration of Conditions Imposed by the Land Use Commission, dated June 6, 1990, filed June 7, 1990, in the Office of the Assistant Registrar of the Land Court, State of Hawaii, as Document no. 1736622. Said Declaration was amended by an instrument dated February 6, 1992, filed February 10, 1992, in said Office as Document No. 1888121.

7. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions set forth in the Declaration of Covenants, Conditions, and Restrictions of Villages of Kapolei dated July 26, 1990, filed August 3, 1990, in the Office of the Assistant Registrar of the Land Court, State of Hawaii, as Document No. 1752834.

8. Easement 3784, for landscaping, wall, footing and maintenance purposes, as shown on Map 649, as set for the by Land Court Order No. 113104, filed August 24, 1993.

EXHIBIT "H"

PAE KO GARDENS

Estimate of Maintenance Fee Disbursements:

	Monthly	x 12 months =	Yearly Total
Utilities and Services			
Electricity	$ 450.00		$ 5,400.00
Refuse Collection	1,800.00		21,600.00
Telephone	58.00		696.00
Water & Sewer	4,000.00		48,000.00
Maintenance, Repairs and Supplies			
Building	300.00		3,600.00
Grounds	2,500.00		30,000.00
Management			
Management Fee	1,928.00		23,136.00
*Insurance	5,000.00		60,000.00
Reserves			
Replacement	3,000.00		36,000.00
Operating	1,000.00		12,000.00
Audit and Tax Fees	150.00		1,800.00
Other			
Legal Fees	$ 100.00		$ 1,200.00
TOTAL	$ 20,286.00		$ 243,432.00

I, LEONARD M. KACHER, as agent and employed by REALTY MANAGEMENT CORPORATION, the condominium managing agent for the condominium project PAE KO GARDENS, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Leonard M. Kacher, PCAM
Vice President & General Manager

Date: 10-13-93

930014.PG
* Budgeted figure for insurance does not include a contingency insurance reserve for any windstorm/hurricane deductible.

REVISED: 10/13/93

No. of Units	Type	% of Common Interest	Total % of Common Interest	Maint. Fee	Total Mo. Maint. Fee	Annual Maint. Fee
4	A	0.005779	0.023116	$ 117.23	$ 468.93	$ 5,627.17
4	B	0.006312	0.025248	128.05	512.18	6,146.17
48	C	0.007294	0.350112	147.97	7,102.37	85,228.46
48	D	0.007827	0.375696	158.78	7,621.37	91,456.43
12	E	0.009144	0.109728	185.50	2,225.94	26,711.31
12	F	0.009677	0.116124	196.31	2,355.69	28,268.30
			1.000024		$ 20,286.49	$ 243,437.84

10/13/93

EXHIBIT "I"

SUMMARY OF SALES CONTRACT: The specimen Sales Contract contains, among other things, the following provisions:

1. SELLER'S RIGHT TO MODIFY DOCUMENTS/PROJECT. Subject to any applicable rescission rights that Buyer may have pursuant to Section 514A-63, Hawaii Revised Statutes:

(a) Seller reserves the right to modify the Declaration, By-Laws, Condominium Map, Apartment Deed, and any other documents as may be required by law, any title insurance company, any institutional mortgagee or governmental agency, or as otherwise may be deemed necessary or appropriate by Seller, and Buyer authorizes Seller to make and specifically approves all changes to said documents and the Project, provided that such approval shall not be deemed to constitute a waiver of Buyer's rescission rights under Section 514A-63, Hawaii Revised Statutes.

(b) Buyer acknowledges that the Architect in its sole discretion may increase or decrease the thickness of any wall within the Apartment, resulting in the room dimensions becoming smaller or larger than those shown on the Condominium Map, and Buyer hereby authorizes and specifically approves any such changes. Seller further reserves the right to require alterations of the Project (and to modify any such documents as Seller deems necessary or appropriate in light of such changes) to change the configuration of, to alter the number of rooms of, to decrease or increase the size of, or to change the location of any other apartment and/or parking area, and to make other changes to the Apartment, any of the other apartments, or the common elements. Seller may increase or decrease the size and/or number of parking stalls which may be assigned to the Apartment covered by this Agreement, provided that in no event shall any apartment be assigned fewer than one (1) parking stall. No taking by eminent domain of an easement or other limited right or of a portion of the common elements shall be deemed grounds for cancellation of this Agreement.

2. WARRANTIES. SELLER WILL ASSIGN ANY CONTRACTORS' OR MANUFACTURERS' WARRANTIES TO BUYER. EXCEPT FOR SUCH ASSIGNMENT, SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE HOMES, COMMON ELEMENTS, APPLIANCES, FURNISHINGS, OR ANYTHING INSTALLED IN OR UPON THE APARTMENTS OR THE PROJECT OR USED IN CONNECTION WITH THE APARTMENTS OR THE PROJECT IN ANY MANNER, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION, OR FITNESS FOR A PARTICULAR PURPOSE OR USE.

3. TIME IS OF THE ESSENCE; SELLER'S REMEDIES; COSTS AND ATTORNEYS' FEES. Time is of the essence with regard to each of the terms of the Sales Contract, and if Buyer shall default in any payment when due, or fail to perform any other obligation required of the Buyer hereunder, Seller may notify Buyer in writing of such default and if such default shall not be cured within fifteen (15) days after receipt of such notice, Seller may, at Seller's option, terminate the Sales Contract by written notice to Buyer. In such event, all sums paid by Buyer thereunder shall belong absolutely to Seller as liquidated damages, or at Seller's option, Seller may pursue any other remedies in law or in equity for specific performance, damages, or otherwise, and all costs, including reasonable attorneys' fees, incurred by reason of default by Buyer shall be borne by Buyer.

4. ASSIGNMENT. Buyer may not assign its rights or obligations under the Sales Contract or any portion thereof without the prior written consent of Seller, which consent may be withheld and/or conditioned upon the payment of a consent fee in such amount as may be determined by Seller, at Seller's sole discretion.

5. RESTRICTIONS ON TRANSFER AND SHARED EQUITY AGREEMENT. Buyer is advised that the Apartment is a reserved housing unit required to be provided by the Seller pursuant to that

certain Development Agreement executed by and between the Seller and the Housing Finance and Development Corporation, a public body and a body corporate and politic of the State of Hawaii ("HFDC"). As a reserved housing unit, the Apartment is subject to certain conditions, restrictions, and requirements in respect to use, resale, and occupancy as set forth in Hawaii Revised Statutes, Sections 201E-221, -222, -223, and -224. For the opportunity which HFDC has created to enable the Buyer to purchase the Apartment for less that its current fair market value, Buyer agrees to pay HFDC a share of the net appreciation which Buyer realizes or is deemed to realize if and when Buyer sells or transfers the Apartment.

6. OTHER CONDITIONS ACKNOWLEDGED BY BUYER. Buyer specifically acknowledges that:

(a) Construction activity by Seller may continue on the site after Buyer has occupied the Apartment and that this activity may result in noise, dust or other annoyances to Buyer and may limit Buyer's access to portions of the Project.

(b) Sales activities, including the use of model apartments, signs and extensive sales displays and activities, may continue in the Project, and some of the parking spaces in the Project may be used for parking for prospective purchasers until the earlier to occur of: (a) twenty-four (24) months from the Closing Date, or (b) the sale of the last unsold apartment in the Project. If Seller's mortgage lender shall acquire any portion of the Project, the lender may continue such use until at least ninety-five percent (95%) of all the apartments have been sold and closed.

(c) Seller reserves the right for itself, its sales representatives and prospective purchasers to utilize the common elements for ingress and egress to such parking spaces and model apartments, and in order to show the common elements to prospective purchasers.

(d) Seller reserves the right to grant to any public or governmental authority rights-of-way and other easements which are for the benefit of the Project, or which do not materially and adversely interfere with the use, nor materially and adversely impair the value of the Project or any apartment over, across, under and through the common elements, for lines and other transmission facilities and appurtenances for electricity, gas, telephone, water, sewer, drainage, and other public services and utilities, and rights to enter for the purpose of installing, repairing, altering, and removing such lines and facilities, and of trimming any trees in the way thereof.

(e) Seller and/or others may develop one or more projects on other lands within the Villages of Kapolei area ("Subsequent Project(s)"). The development, construction and sale of Subsequent Project(s) may result in the creation of dust, noise, vibrations and other nuisances. Seller expressly reserves the right and an easement to enter upon and use the common elements of the Project and do all things reasonably necessary, desirable or useful, for the purposes of designing, developing, constructing, and completing Subsequent Project(s), and selling the dwellings in Subsequent Project(s), and the right in the nature of an easement over and upon the Project to create and cause dust, noise, vibration, surface water runoff, smoke, soot, light, heat, noxious vapors, odors, chemicals, and other nuisance created by and resulting from any work connected with or incidental to the development and construction of Subsequent Project(s) and the sale of dwellings therein.

(f) The Project is in the vicinity of an "Air Installation Compatible Use Zone" ("AICUZ") which may result in noise, odors, vibrations, nuisances, disturbances or hazards to persons or property. Buyer may therefore experience aircraft noise from time to time from aircraft taking off and/or landing at Honolulu International Airport, Hickam Air Force Base, and Barber's Point Naval Air Station.

(g) The Project is located near or adjacent to land and easements used for or in connection with the cultivation of sugar cane and other agricultural activities, which may involve open boring, percolating, evaporating, milling, trucking, plowing, hauling, fertilizing, grading, storing, herbicide and pesticide spraying or treatment, crop dusting, water diversion, irrigation, and may cause some unpleasant odors, surface water runoff, noise, dust, smoke and other unpleasant effects that may bother or be a nuisance to the Buyer.

(h) Buyer acknowledges that the Hawaii Right to Farm Act, Chapter 165, Hawaii Revised Statutes limits the circumstances under which preexisting farming operations, as defined in Section 165-2, HRS, may be deemed a nuisance. Buyer hereby releases and agrees to indemnify and hold harmless, Seller, HFDC, the State of Hawaii, and Oahu Sugar Company, Limited and their respective officers, directors, employees, agents, successors and assigns from and against any and all liability, claims and expenses relating to any claim by the Buyer or any person using or occupying the Apartment or the Project arising directly or indirectly out of or from the above-mentioned effects, and hereby agrees to include these provisions in any subsequent conveyance.

(i) At closing, Buyer will receive a manual explaining normal maintenance for the Apartment and all appliances, the applicable warranties, and the procedures to invoke any warranty.

(j) Buyer will be required to attend a homeownership counseling course to be given by HFDC.

(k) The Project is located within the Villages of Kapolei community association, and is subject to the Declaration of Covenants, Conditions and Restrictions of Villages of Kapolei filed as Land Court Document No. 1752834 and the By-Laws of the Villages of Kapolei Association. As an apartment owner, Buyer will be required to comply with the provisions of the Declaration and By-Laws of the Villages of Kapolei, including the payment of any assessments that may be imposed by the Board of Directors of the Villages of Kapolei Association.

(l) Each residential apartment has been assigned an undivided interest in the common elements equal to the ratio of the living area of each unit, including lanais and stoops, to the total such area of all the units.

Buyer accepts the foregoing conditions, as well as any inconvenience or annoyance which Buyer may experience as a result of such conditions, and expressly waives any rights, claims or action which he might otherwise have against Seller, HFDC, or third parties as a result of such circumstances.

NOTE: THAT UNTIL THE FINAL PUBLIC REPORT IS ISSUED, SELLER MAY CHANGE THE PURCHASE PRICE OR REASSIGN PARKING STALLS AND EITHER PARTY MAY UNILATERALLY CANCEL THE RESERVATION. ALSO, PURCHASERS SHOULD REVIEW EXHIBITS B AND C OF THE SALES CONTRACT, WHICH ARE NOT SUMMARIZED ABOVE, AS THEY CONTAIN IMPORTANT INFORMATION ON TRANSFER RESTRICTIONS.

EXHIBIT "J"

SUMMARY OF ESCROW AGREEMENT: An escrow agreement (hereinafter called the "Escrow Agreement") detailing the manner in which purchasers' funds are to be handled, has been executed and a copy thereof has been filed with the Commission. The Escrow Agent is DEVELOPERS ESCROW SERVICES, INC., a Hawaii corporation (hereinafter referred to as "Escrow"). The escrow agreement, among other things, contains the following provisions:

Sale Contracts Deposited in Escrow. As of when Developer shall enter into a sales contract for the sale of a unit it shall deliver an executed copy of such sales contract to Escrow. Each sales contract shall require that all payments to be made thereunder shall be made to Escrow and shall be accompanied by the initial deposit required thereunder.

Receipt of Funds by Escrow. Developer shall pay over to Escrow all payments made by purchasers under sales contracts. This includes any loan payments from purchasers' lenders. In accordance with Developer's written instructions to Escrow, Escrow shall deposit all funds received in accounts at a federally insured bank, savings and loan association or other financial institution which pays interest on deposits. All interest earned from such account or accounts shall be credited to the account of Seller as set forth in the sales contract.

Conditions to be Met Prior to Disbursement. No disbursements of funds held in escrow shall be made unless and until the following conditions have been fulfilled:

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

b. Buyers' sales contracts relating to deposits to be disbursed have become effective; and

c. All other requirements of Sections 514A-40 and 514A-63 through 514A-67, Hawaii Revised Statutes, have been met.

Notwithstanding the foregoing, Escrow shall not disburse funds that are delivered to or deposited with Escrow in connection with the sale of the apartments in the Project without approval by the Housing Finance and Development Corporation ("HFDC").

Disbursement of Purchaser's Funds. Subject to the provisions of provided for above, and upon prior approval of Seller's construction mortgagee, disbursements from the escrow fund shall be made by Escrow from time to time to pay for construction costs in accordance with bills submitted to Escrow from time to time by Seller, which said bills shall have been approved or certified for payment by Seller's construction mortgagee or a financially disinterested person. The balance of the monies remaining in the escrow fund shall be disbursed in accordance with the direction of Seller only upon completion of the buildings, and when Escrow has received satisfactory evidence that all mechanics' and materialmen's

liens have been cleared or sufficient funds have been set aside to cover claims, if liens are filed, otherwise forty-five (45) days after the filing with Escrow of a copy of the Affidavit of Publication of Notice of Completion.

Return of Funds and Documents. A purchaser shall be entitled to a refund of all funds, and Escrow shall pay said funds to said purchaser without interest and less a cancellation fee of TWENTY-FIVE AND NO/100 DOLLARS ($ 25.00) and such other amount determined by Seller, including without limitation, all costs incurred by Seller, Escrow, HFDC or any lending institution, up to $250.00, if purchaser shall in writing request the refund of his or her funds and either of the following shall have occurred:

(a) Escrow receives a written request from Seller to return to purchaser the funds of such purchaser then held hereunder by Escrow; or

(b) If purchaser's funds were obtained prior to the issuance of a Final Public Report, purchaser terminates the sales contract as provided for therein.

Upon the refund of said funds to purchaser as aforesaid, Escrow shall return to Seller such purchaser's sales contract and any conveyance document theretofore delivered to Escrow, and the purchaser shall thereupon no longer be deemed obligated thereunder.

Purchaser's Default. Developer will notify Escrow in writing that a purchaser has defaulted and that Developer has cancelled that purchaser's Sales Contract. Escrow will then treat the purchaser's funds, less Escrow's cancellation fees, as belonging to Developer.