CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Makiki Properties, Inc.
Address 2266 Makiki Heights Drive, Honolulu, Hawaii 96822

Project Name(*): Spencer Court
Address: 1020 Spencer Street, Honolulu, Hawaii

Registration No. 3165

Effective date: September 14, 1994
Expiration date: October 14, 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 advice before signing a sales contract for the purchase of an apartment in the project.

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

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

Type of Report:

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 by the developer when complete information is filed.

___ **FINAL:** (white) The developer has legally created a condominium and has filed complete information with the Commission.
[ ] No prior reports have been issued.
[ ] This report supersedes all prior public reports.
[ ] This report must be read together with _____

___ **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

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[X] Required and attached to this report as Exhibit I

[ ] 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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EXHIBIT A: Description of Buildings
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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Makiki Properties, Inc.
Name
2266 Makiki Heights Drive
Business Address
Honolulu, Hawaii 96822
Phone: 536-6752 (Business)

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

Karl H. Oberacker, Pre/VP/Sec/Treasurer

Real Estate Broker: Conley Dew, Ltd.
Name
201 Merchant Street, Suite 2200
Business Address
Honolulu, Hawaii 96813
Phone: 524-2844 (Business)

Escrow: Title Guaranty Escrow Services, Inc
Name
235 Queen Street, 1st Floor
Business Address
Honolulu, Hawaii 96813
Phone: 521-0211 (Business)

General Contractor: HRM Construction Consultants, Inc.
Name
1713 Mary Street, Room B
Business Address
Honolulu, HI 96819
Phone: 847-8485 (Business)

Condominium Managing Agent: N/A - to be self-managed by the Association of Apartment Owners
Name
Business Address
Phone: (Business)

Attorney for Developer: Oshima Chun Fong & Chung
Name
Suite 400, Davies Pacific Center
Business Address
841 Bishop Street

Honolulu, Hawaii 96813
Attn: Deborah Chun
Phone: 528-4200 (Business)

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]:

N/A

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]:

N/A

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 instruments [state name of document, date and recording/filing information]:

N/A

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	---	Majority of 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:

The Developer may amend the Declaration, Bylaws, Condominium Map and House Rules (a) at any time prior to recording the first Apartment Deed; (b) to file the "as built" verified statement required by Section 514A-12, HRS; (c) to delete Phase 2 from the condominium property regime as set forth in Section T of the Declaration; and (d) in connection with the construction of Phase 2, to remove, amend or add common elements; to remove, amend or add parking spaces; and to make such modifications to the design of Phase 2 as may be required by law or authorities having jurisdiction over the issuance of building permits.

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 advice of an attorney.

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

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

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

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

B. Underlying Land:

Address: 1020 Spencer Street
Honolulu, Hawaii 96822

Tax Map Key: 2-4-016-027(1) (TMK)

[ ] Address [ ] TMK is expected to change because _____

Land Area: 10,366 [X] square feet [ ] acre(s) Zoning: A-2

Lessor
(Fee Owner): Makiki Properties, Inc.
Name
2266 Makiki Heights Drive
Address
Honolulu, Hawaii 96822

Sublessor: N/A
Name

Address

C. Buildings and Other Improvements: Phase 1

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

2. Number of Buildings: 1 Floors Per Building 3

[X] Exhibit A contains further explanations.

3. Principal Construction Material:

[X] Concrete [ ] Hollow Tile [ ] Wood

[X] Other Gypsum board, ceramic tile and related building materials.

4. Permitted Uses by Zoning:

	No. of Apts.	Use Permitted By Zoning		No. of Apts.	Use Determined By Zoning
[X] Residential	3	[X] Yes [ ] No	[ ] Ohana	N/A	[ ] Yes [ ] No
[ ] Commercial	N/A	[ ] Yes [ ] No	[ ] Industrial	N/A	[ ] Yes [ ] No
[ ] Mix Res/Comm	N/A	[ ] Yes [ ] No	[ ] Agricultural	N/A	[ ] Yes [ ] No
[ ] Hotel	N/A	[ ] Yes [ ] No	[ ] Recreational	N/A	[ ] Yes [ ] No
[ ] Timeshare	N/A	[ ] Yes [ ] No	[ ] Other:	N/A	[ ] 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: Animals exceeding 25 lbs.* may not be kept in the apartments. No more than one(1) dog or one(1) cat or one(1) bird shall be kept in each apartment. Female cats and dogs must be spayed. See House Rules for specifications

[ ] Number of Occupants: *other than seeing eye dogs

[X] Other: The apartments may not be rented for transient or hotel purposes nor used for time sharing nor for the operation of a business. No waterbeds allowed.

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Patio (sf)
Apts. 1 & 2	2	2/2	803	47
Apt. 3	1	3/2	1,349	286

Total Apartments: 3 (Portion of the total 6 units for the entire Project)

***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: 6 NOTE: A total of 8 stalls will be constructed with the Phase 1 improvements, two of which will be appurtenant to Apartment 4 of Phase 2.

	Regular		Compact		Tandem		
	covered	open	covered	open	covered	open	TOTAL
Assigned (for each unit)	3		3				6
Guest							
Unassigned							
Extra for Purchase							
Other:							
Total Covered & Open	3		3		0		

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: Private park

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 which 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:

[X] 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 July 25, 1994 and issued by Title Guaranty of Hawaii, Incorporated.

Blanket Liens:

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

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

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

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

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance
Acquisition Loan Construction Loan	The buyer's interest is subordinate to the existing loans, and default by Developer may result in Buyer losing the right to purchase the unit. Buyer's deposits will be refunded, less any escrow cancelation fees.

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:

See Exhibit H.

2. Appliances:

A description of warranties on the appliances to be installed in each condominium unit is presently unavailable because the purchase contracts have not been executed. The Developer will attempt to assign to purchaser the unexpired term, if any, of any manufacturer's or dealer's warranties covering any fixture or appliance. By such assignment, DEVELOPER IS NOT ADOPTING ANY SUCH CONTRACTOR'S, MANUFACTURER'S OR DEALER'S WARRANTIES OR ACTING AS CO-WARRANTOR, BUT IS MERELY ATTEMPTING TO PASS THROUGH TO PURCHASER ITS BENEFIT OF ANY SUCH WARRANTIES.

G. Status of Construction and Estimated Completion Date:

Status - as of August 4, 1994, the foundation for Phase 1 has been completed.

Estimate of Completion Date for Phase 1 - December, 1994

H. Project Phases:

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

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

Developer has reserved the right not to construct Phase 2 of the project as set forth in Section T. of the Declaration.

BUYER SHOULD READ SECTION T. OF THE DECLARATION CAREFULLY.

IV. CONDOMINIUM MANAGEMENT

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

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

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

[ ] not affiliated with the Developer
[X] self-managed by the Association of Apartment Owners
[ ] 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, 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.

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

C. Utility Charges for Apartments:

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

[ ] None [ ] Electricity [ ] Gas [X] Water

[X] Sewer [ ] Television Cable [ ] Other_____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

[X] Notice to Owner Occupants

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

[X] Escrow Agreement dated August 4, 1994
Exhibit K contains a summary of the pertinent provisions of the escrow agreement.

[ ] Other_____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

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

A) Condominium Public Reports issued by the developer which have been 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_____

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. 3165 filed with the Real Estate Commission on Aug. 17, 1994.

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C. Additional Information Not Covered Above

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.

Makiki Properties, Inc.
Name of Developer

By: _____ 8/17/94
Duly Authorized Signatory Date

Karl H. Oberacker, President/Vice President/Secretary/Treasurer
print name & title of person signing above

Distribution:

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

EXHIBIT "A"

Spencer Court - Phase 1

Description of Buildings

Phase 1 shall consist of one (1) building, designated as "Building B", containing a total of three (3) residential apartments. Building B will be a three (3) story structure with basement parking. Building B is to be located closest of Spencer Street. Building B consists of Apartments 1, 2, and 3. Apartments 1 and 2 will be located on the first story, and Apartment 3 will be located on the second story. The principal materials used in the construction of the Buildings will be concrete, gypsum board, ceramic tile, and related building materials.

EXHIBIT "B"

Spencer Court

Boundaries of Each Apartment

The Apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter or party walls or interior load-bearing walls, the floors and ceilings surrounding each Apartment, or any pipes, wires, conduits or other utility or service lines running through such Apartment which are utilized for, or serve, more than one (1) Apartment, the same being deemed common elements. Each Apartment shall be deemed to include all the walls and partitions which are not load-bearing within its perimeter of party walls, all doors and door frames, including the exterior unfinished surfaces thereof, all doors and door frames, including the exterior unfinished surfaces thereof, windows and window frames, including the exterior unfinished surfaces thereof, the lanai air space, the interior decorated or finished surfaces of all perimeter, party and load-bearing walls, floors, floor coverings and ceilings, and all fixtures originally installed or contained therein.

EXHIBIT "C"

Spencer Court

Permitted Alterations to Apartments

Except as otherwise reserved or provided in the Declaration, construction of any structural alteration or addition to any Apartment, different in any material respect from the Condominium Map of the Project, shall be undertaken by the Association or an Apartment owner only pursuant to an amendment of the Declaration, duly executed by or pursuant to the affirmative vote of Apartment Owners representing eighty percent (80%) of the Common Interest of the Project and accompanied by the written consent of the holders of all liens affecting any of the Apartments, and in accordance with complete plans and specifications therefor first approved in writing by the Board.

Further, the following alterations may be made:

1. "Nonmaterial structural additions to the common elements" as such term is defined in Section 514A-89, Hawaii Revised Statutes, as amended, shall be undertaken by the Association or any Apartment owner only pursuant to the written approval thereof by the Board and a majority of the Apartment owners.

2. Any additions to or alterations of an Apartment made solely within such Apartment or solely within a Limited Common Element appurtenant to and for the exclusive use of such Apartment or of certain Apartment, shall be undertaken by such Apartment owner or owners only pursuant to the written approval thereof, including the plans therefor, by the Board, the holders of mortgages affecting such Apartment, and all other Apartment owners thereby directly affected (as determined by the Board in its sole discretion).

3. An Apartment owner owning two (2) Apartments on the same floor of the building may alter or remove all or portions of the intervening walls which separate such Apartments and make other alterations or additions solely within such Apartments and convert such apartments into a single Apartment; provided that the structural integrity of the building and the soundness and safety of the Project shall not be thereby affected and such alteration, removal, and restoration will not reduce the value of the Project or impair any easement or hereditament thereof, and the finish of the common element then remaining shall be restored to a condition substantially comparable to that of the common element prior to such alteration. All such alterations, removal or additions,

including the plans thereof, which shall be prepared by a licensed, registered architect, shall be subject only to the approval of the holders of mortgages affecting such Apartments, if any, and the Board. Following the conversion of both Apartments into a single Apartment, the Apartment owner of the single Apartment may reconvert the same into the two (2) original Apartments. All alterations, removal or additions to convert the single Apartment into the two (2) original Apartments, including the plans thereof, which shall be prepared by a licensed, registered architect, shall be subject only to the approval of the holders of mortgages affecting the single Apartment, if any, and the Board.

EXHIBIT D

Spencer Court

Common Elements

(a) The Land in fee simple.

(b) All structural components, such as foundations, girders, beams, supports, unfinished perimeter walls and load bearing walls (except for the inner finished surfaces within each Apartment) and the roofs of the Buildings, all exterior walkways, railings and any fences enclosing any portion of the Project.

(c) All yards and grounds, including park and recreational facilities and landscaping therein, and all refuse facilities, if any, whether within or appurtenant to the Project.

(d) All roads, parking areas (except for the garages appurtenant to Apartments 5 and 6), driveways and walkways which are rationally of common use by owners of more than one Apartment.

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

(f) One (1) visitor parking stall located by Building A as shown on the Condominium Map, available for use by the guests, visitors and invitees of the Apartment owners.

(g) Any and all other apparatus and installations intended for common use and all devises and other parts of the Land necessary or convenient to the existence, maintenance and safety of the Condominium Property Regime, or normally in common use.

EXHIBIT "E"

Spencer Court

Limited Common Elements

(a) The parking stalls assigned to an Apartment.

(b) The mailbox assigned to an Apartment shall be appurtenant to the for the exclusive use of such Apartment. Each Apartment shall at all times have at least one (1) mailbox appurtenant to it.

(c) All other Common Elements of the Project which are rationally related to less than all of the Apartments shall be limited to the use of such Apartment or Apartments to which the same are related.

EXHIBIT "F"

Spencer Court

Common Interest

The Common Interest appurtenant to each Apartment is as follows:

Apartment Number	Percent Common Interest
1	8.31%
2	8.31%
3	15.98%
4	13.30%
5	20.57%
6	33.53%

However, if the Developer either elects to not construct Phase 2 as evidenced by an amendment to the Declaration filed in accordance with Section T of the Declaration or if the Developer fails to complete construction of Phase 2 on or before January 1, 2000, regardless of whether Developer has made a specific election (in which case the Declaration may be amended by the Association as set forth in Section T hereof), the percentage interests appurtenant to the three (3) units of Phase 1 shall automatically, and without the need of an amendment, be as follows:

Apartment Number	Percent Common Interest
1	25.49%
2	25.49%
3	49.02%

Pursuant to Section 514A-15(b) of the Hawaii Revised Statutes, an owner, including the Developer, shall become obligated for the payment of the share of the common expenses allocated to his apartment only upon the issuance of a certificate of occupancy relating to his Apartment. The amount of common expenses which an owner is obligated to pay shall depend upon whether only one or both Phases have been completed and certificates of occupancy issued therefor. For example, if only Phase 1 has been completed, then the percentage of Common Interest set forth above as being applicable when the Project consists of only Phase 1 shall apply for purposes of calculating the share of common expenses, and, therefore, Apartment 1 would pay 25.49% of the common expenses.

EXHIBIT "G"

Spencer Court

Encumbrances Against Title

1. The reservation in favor of the State of Hawaii of all mineral and metallic mines.

2. Right-of-way for sewer and water pipe lines running through a portion of Lot 3 as shown on said File Plan No. 225.

3. The effect of any failure to comply with the terms, covenants, conditions and provisions set forth in Deed dated February 1, 1923, recorded in said Bureau in Book 676, Page 38.

4. As to the undivided interest in Roadway: Right of way for sewer and water pipe lines running through a portion of said Roadway as shown on said File Plan No. 225.

5. Any and all possible encroachments as shown on survey map dated January 21, 1993, by James R. Thompson, Registered Professional Land Surveyor.

6. Mortgage, Security Agreement and Financing Statement dated February 26, 1993, recorded in the Bureau as Document No. 93-034895, in favor of First Hawaiian Bank.

7. The terms and provisions, including the failure to comply with any covenants, conditions and restrictions contained in the Declaration dated February 11, 1994, recorded as Document No. 94-037337.

8. Second Mortgage, Security Agreement and Financing Statement dated May 20, 1994, recorded in said Bureau as Document No. 94-112431.

9. For information regarding real property taxes, as may be due and owing, reference is made to the City & County of Honolulu Director of Finance.

EXHIBIT H

Description of Warranties

See Disclosure Abstract attached hereto as Exhibit I

5617E

EXHIBIT I

DISCLOSURE ABSTRACT

Name and Address of Project:	SPENCER COURT 1020 Spencer Street Honolulu, Hawaii 96822
Name and Address of Developer and Seller:	MAKIKI PROPERTIES, INC. 2266 Makiki Heights Drive Honolulu, Hawaii 96822
Managing Agent:	To be self-managed
Monthly Common Expenses and Monthly Estimated Costs for Each Apartment:	See Exhibits "1" and "2" attached hereto and made a part hereof.
Description of Warranties:	Section D.18 of the Sales Contract and Deposit Receipt states:

"Seller does not have a typical one-year warranty from the contractor. Seller will give to Purchaser a construction warranty from the Seller which shall last for a period of ninety (90) days from the date of Closing. Purchaser shall also have the direct benefit of any manufacturer's or dealer's warranties covering the appliances in the Apartment. Purchaser acknowledges that Seller has made no other warranties, expressed or implied, with respect to the Apartment or any Common Element or anything installed therein.

At Seller's option, an inspection program may be instituted and, if so, Purchaser agrees to inspect Purchaser's Apartment on a date and at a time to be specified by Seller and upon completion of such inspection, to sign inspection sheet to be furnished by Seller which shall list all defects or damages to the Apartment, if any. Purchaser shall have the right to designate a representative

to inspect Purchaser's Apartment, provided, that such designation be made in writing by Purchaser and delivered to Seller at least fifteen (15) calendar days prior to final Closing. Purchaser agrees to accept possession of the Apartment despite the existence of such defects or damages to the Apartment regardless of extent, including but not limited, to any defects in appliances and fixtures, which may be listed in said inspection sheet, but which do not render the Apartment uninhabitable. Seller will cooperate with and assist Purchaser in having legitimate listed defects or damages corrected or repaired within a reasonable time thereafter by the contractor. Purchaser agrees to indemnify Seller for any damages or losses, including interest and attorney's fees, resulting from any refusal to make such inspection, to sign such inspection sheet or to accept possession of the Apartment upon request by Seller and if Purchaser shall make any such refusal, Purchaser shall be deemed to be in default under this Sales Contract and Seller at its option shall be entitled to cancel this Sales Contract and keep all payments made hereunder as liquidated damages. Purchaser hereby waives all right of inspection and rights to Seller's cooperation and assistance with the contractor or other warrantor if Purchaser fails to inspect Purchaser's Apartment on the date and time specified by Seller, and Purchaser acknowledges that such waiver shall not in any way affect Purchaser's obligations under including without limitation the making of Payments B, C and D and performance of Purchaser's Closing obligations."

Reservation of Rights:

Section D.28 of the Sales Contracts and Deposits Receipt states:

> "(a) Purchaser acknowledges and agrees that Seller shall have and the Seller hereby reserves the right to conduct extensive sales activities on the Project, including the use of model apartments, sales management offices, parking stalls within the exclusive control of Seller for parking for prospective purchasers, and extensive sales displays and activities, until the closing of sale of the last unsold apartment in the Project; provided that such sales activities are conducted in an unobtrusive manner which will not unreasonably interfere with the use, possession and aesthetic enjoyment of the Project by Purchaser.

(b) Seller hereby reserves the right to designate, use, enjoy and grant or dedicate to any public utility, service company or governmental authority such rights of way and easements as the Seller in its sole discretion may from time to time determine for transmission facilities and appurtenances for electricity, gas, telephone, electromagnetic signal distribution, and any other utility or similar distribution system, including but not limited to microwave, radio and television antennas, water, sewers, drainage, flowage and any other public utility or public service company purposes, services and substances whatsoever, over, across, under and through the land comprising the Project (the "Land"), including the right to enter to construct, reconstruct, install, operate, maintain, repair and replace such lines, facilities and appurtenances, and the right to designate, use, enjoy and grant or dedicate rights of way for access and egress to others over the Land, these reserved rights to be exercised in such manner that will cause the least practicable interference with the apartment owners' use and occupancy of the Land, together with a right to trim and keep trimmed any tree or trees in the way of utility lines and appurtenances. The foregoing reservation shall survive until such time as the Apartment Deed for the Project is executed by Seller and recorded in the Bureau of Conveyances.

(c) Seller hereby discloses and Purchaser hereby acknowledges and understands that the Project is intended to consist of 6 residential units constructed in two (2) phases and that Seller has reserved the right at its sole and absolute discretion to determine whether to construct Phase 2 of the Project, including the right to determine whether and to what extent to construct common elements for the Project within such phase. If, at any time prior to midnight of January 1, 2000, Seller determines, in its sole and absolute discretion, not to construct Phase 2, Seller shall amend the Declaration (including the Bylaws and Condominium Map, if applicable,) without the joinder of any other person or owner to delete the apartments in Phase 2 and to confirm the percentage interest allocated to those apartments built or being built.

Section T. of the Declaration sets forth the conditions which Seller must satisfy in order to effectuate its decision not to construct Phase 2. Purchaser hereby acknowledges that prior to this Sales Contract becoming a binding contract as set forth in Paragraph 27 hereinabove, Purchaser shall have the full opportunity to read, review and examine and shall approve of Section T. of the Declaration.

(d) Purchaser hereby accepts the foregoing rights of Seller, as well as any inconvenience or annoyance which Purchaser may experience as a result of the exercise of any such rights by Seller, and Purchaser hereby expressly waives any rights, claims or actions which Purchaser may otherwise have against Seller or third parties as a result of such exercise of Seller's rights. Purchaser expressly acknowledges and agrees that the provisions of this paragraph shall survive the execution, delivery to Purchaser and the filing and the recording of the Apartment Deed."

MAKIKI PROPERTIES, INC.

By _____
KARL H. OBERACKER
Its President

EXHIBIT 1

SPENCER COURT - PHASE 1

ESTIMATED MONTHLY COMMON EXPENSES

Receipts	
Maintenance Fees	$585
Disbursements	
Utilities (Water and Sewer)	$125
Common Grounds Landscaping	150
Insurance/Fire/Liab/Flood	150
Resident Manager	50
Pest Control (Termite)	75
Reserves	35
Total Disbursements and Reserve	$585

It is hereby certified that the foregoing estimate of the monthly common expenses and the estimated maintenance fees per unit were calculated based upon generally accepted accounting principles.

Makiki Properties, Inc.

By_____
Its President

5604E

EXHIBIT 2
SPENCER COURT-PHASE 1

ESTIMATED MAINTENANCE FEES
PER UNIT FOR PHASE 1

Unit	Sq. Ft. Floor Area Including Lanais	**Common Interest	Est. Monthly Maintenance Fees
1	850	25.49%	$149.12
2	850	25.49%	$149.12
3	1,635	49.02%	$286.76

**THE ABOVE PERCENTAGE COMMON INTEREST IS FOR PHASE 1 UNITS AND ONLY FOR THE PURPOSE OF DETERMINING THE ESTIMATED MAINTENANCE FEES PER UNIT. An owner, including the developer, becomes obligated to pay his share of the common expenses allocated to his unit at the time the certificate of occupancy relating to his unit is issued by the appropriate county agency. H.R.S. 514A-15(b). The percentage common interest set forth above are based upon certificates of occupancy for Phase 1 units only. The percentage common interest set forth above shall decrease as additional certificates of occupancy are obtained because 100% of the common interest shall be distributed among a greater number of units. The decrease in percentage common interest will not necessarily result in a decrease in the amount of common expenses an owner will be required to pay.

5616E

EXHIBIT "J"

Spencer Court

Summary of Sales Contract

A specimen Sales Contract and Deposit Receipt has been submitted to the Real Estate Commission as part of the registration. The specimen Sales Contract and Deposit Receipt provides in part:

(a) Purchaser represents that Purchaser is financially capable of making all required payments at the required times stated in the Sales Contract. If Purchaser must finance the purchase of the Apartment, Purchaser shall apply for mortgage financing from a Mortgage Lender within five (5) days from the date of execution by Seller of this Sales Contract. Purchaser will deliver any executed copy of any notification of loan approval or mortgage commitment upon receipt to Seller. Seller in its sole discretion, may disapprove of any loan approval or mortgage commitment Purchaser submits to Seller under this Sales Contract within fifteen (15) days after the receipt of same. If Seller does not provide Purchaser with written notice of its disapproval within the fifteen (15) day period, the loan approval or mortgage commitment shall be deemed approved. Purchaser understands that Seller has no obligation to arrange for Purchaser's mortgage financing and that Seller is unwilling to approve financing which would require Seller to pay any points or fees to the Mortgage Lender. In order to keep Seller informed of Purchaser's progress in obtaining a mortgage loan, Purchaser authorizes any Mortgage Lender to transmit to Seller any and all information necessary for this purpose, including, but not limited to copies of all correspondence between Purchaser and the Mortgage Lender. If Purchaser's application or eligibility for a mortgage loan for the amount to be paid in mortgage proceeds as set forth in the Sales Contract is rejected or not approved within thirty (30) days after application, then Seller may elect to cancel the Sales Contract upon written notice to Purchaser, and, if canceled, Seller shall direct Escrow to refund to Purchaser all sums paid by Purchaser, less Escrow's cancellation fee and costs incurred by Escrow. Seller shall not be responsible for any cancellation fees imposed by the Mortgage Lender. If Purchaser's mortgage loan approval is contingent or conditioned on a sale by Purchaser of another property or on any other condition, Seller may, in its sole discretion and at any time, elect to cancel the Sales Contract as a rejection of loan eligibility. If Seller does not so elect to cancel this Sales Contract, Purchaser shall qualify for mortgage financing including the satisfaction and removal of any such contingency prior to the Closing Date.

(b) Purchaser will pay one-half of Escrow's fees, forty percent (40%) of the cost of standard owner's title insurance, Purchaser's notary fees, condominium ownership transfer fee, all recording fees except for documents to clear Seller's title, and all costs, including recording fees, incurred in connection with Purchaser's mortgage loan. Seller will pay one-half of the Escrow fees, sixty percent (60%) of the cost of standard owner's title insurance, Seller's notary fees, recording fees for documents to clear Seller's title and applicable conveyance taxes. Real property taxes and assessments and maintenance fees will be prorated as of the Closing Date. All other Closing Costs shall be paid in accordance with customary practice in Hawaii.

(c) In addition to payment of the Closing Costs referred to in Paragraph (b) above, Purchaser shall be required to prepay maintenance fees for a period of up to two (2) months, prepay insurance premiums for up to one (1) year, prepay real property taxes for the remainder of the tax year prorated as of the date of recordation of the Apartment Deed and pay a non-refundable start-up fee in an amount equal to two (2) months maintenance fees, which shall be a one-time non-transferable, non-refundable assessment at sale, not as a common expense, shall be in addition to the normal monthly maintenance fees, shall be held, accounted for and expended as funds of the Association for the benefit of all of the apartment owners by Seller, all of which shall be paid at Closing.

(d) Purchaser agrees that Purchaser has entered into the Sales Contract without any reference or representation by Seller or any sales person: (i) that the Seller or anyone affiliated with the Seller or any unaffiliated third party will provide, directly or indirectly, any services relating to the rental or sale or management on behalf of Purchaser of the Apartment; (ii) as to projected rental income, occupancy rates or other matters related to the rental of the Apartment; (iii) as to possible tax advantages or other economic benefits accruing to an owner who chooses to rent an apartment; or (iv) as to projected appreciation in the value of the Apartment. Purchaser shall be solely responsible for any rental or other disposition of the Apartment. Purchaser agrees and acknowledges that in the event the offer to sell and the purchase of the Apartment or the activities of Purchaser with respect to the Apartment are determined to be or alleged to give rise to any violation of any Federal or State securities laws or regulation, Seller may obtain an injunction enjoining such acts of the Purchaser and Seller may, in addition, pursue any other remedies and Purchaser shall pay the Seller's costs and attorney's fees in connection therewith. In the event that the Purchaser or anyone claiming by or through Purchaser alleges that the offer

to sell or the purchase of the Apartment gives rise to any violation of any Federal or State disclosure laws or regulations, the Purchaser covenants not to sue for any remedy other than to sue for refund of the Purchase Price and actual Closing Cost plus interest at ten percent (10%) per annum from the date of Closing to the date of repayment. Purchaser agrees to absorb any additional charges incurred with respect to the Apartment as the reasonable use value of the Apartment.

(e) If at the time of execution of the Sales Contract by Purchaser and Seller, a Final Public Report for Phase 1 of the Project has not been issued by the Real Estate Commission of the State of Hawaii, the Sales contract shall not be legally binding upon either Purchaser or Seller. In such event, the Sales Contract shall constitute a "reservation" and not a binding contract as contemplated by 15 U.S.C. § 1700 et. seq., and 24 CFR § 1710. The Sales Contract shall not become a binding sales contract unless and until (i) a Final Public Report is issued on Phase 1 of the Project, (ii) Purchaser executed a separate Receipt and Notice instrument in the form and content as set forth in Hawaii Revised Statutes, as amended, and waives Purchaser's right to cancel this Sales Contract, and (iii) Purchaser and Seller execute a separate Affirmative Instrument (which may be included as part of said Receipt and Notice instrument) ("Affirmative Instrument") expressing their intent to render the Sales Contract a binding contract. THE RESERVATION MAY BE CANCELED AT ANY TIME BEFORE IT IS RENDERED A BINDING CONTRACT, WITH OR WITHOUT CAUSE, AT THE OPTION OF EITHER PARTY, BY WRITTEN NOTICE OF SUCH CANCELLATION TO THE OTHER PARTY. In the event of such cancellation, Seller shall cause Escrow to refund all payments previously made by Purchaser (less any cancellation fees for Escrow) without interest, and neither party shall have nay other or further liability hereunder or with respect to the Project. The party canceling the Sales Contract pursuant to the provisions of this paragraph shall bear the cost of any credit report and other reasonable expenses incurred in the processing of the Sales Contract. If Purchaser cancels the Sales Contract pursuant to the provisions of this paragraph, the maximum amount of the costs, fees and expenses to be borne by Purchaser shall be $250.00. If Purchaser does not execute and return to Seller said Receipt and Notice instrument within thirty (30) days from the date of delivery to Purchaser of the Final Public Report for Phase 1 of the Project and neither party cancels this Sales Contract, Purchaser shall be deemed to have executed said Receipt and Notice instrument and to have waived his right to cancel the Sales Contract if the Apartment is conveyed to Purchaser.

(f) If the Sales Contract is executed after the issuance of a Final Public Report for Phase 1 of the Project and

Seller or Seller's agent shall have delivered to Purchaser a copy of such Final Public Report, together with a copy of all other public reports for the Project, if any, and Purchaser shall have executed and returned to Seller the Receipt and Notice instrument described above and waived Purchaser's right to cancel the Sales Contract, then the Sales Contract shall be a fully binding contract upon Purchaser and Seller upon acceptance thereof by Seller, and the requirement for the execution of an Affirmative Instrument shall be of no force and effect.

(g) Further, if the Sales Contract is executed after the issuance of the Final Public Report for Phase 1 of the Project as aforesaid, and Purchaser does not execute and return to Seller the Receipt and Notice instrument within thirty (30) days from the date of delivery to Purchaser of such Final Public Report, together with a copy of all other public reports for the Project, if any, or if the Apartment is conveyed to Purchaser prior to the expiration of such thirty (30) day period, Purchaser shall be deemed to have executed said Receipt and Notice instrument and to have waived Purchaser's right to cancel the Sales Contract and the Sales Contract shall be a fully binding Sales Contract without the execution of an Affirmative Instrument.

EXHIBIT "K"

Spencer Court

Summary of Escrow Agreement

An executed Escrow Agreement has been submitted to the Real Estate Commission as part of the registration. The Escrow Agreement dated August 4, 1994, identified Title Guaranty Escrow Services, Inc. as the escrow agent. The Escrow Agreement provides that the Escrow Agent shall refund to Purchaser all of Purchaser's funds, without interest, less a cancellation fee of not less that $25.00, if Purchaser shall request refund of his funds and any one of the following shall have occurred:

(a) Developer and Purchaser have requested Escrow in writing to return to Purchaser the funds of Purchaser then held under the Escrow Agreement by Escrow; or

(b) Developer has notified Escrow of Developer's exercise of the option to cancel or rescind the Sales Contract pursuant to any right of cancellation or rescission stated therein or otherwise available to Developer;

(c) With respect to a Purchaser whose funds were obtained prior to the issuance of the Final Public Report, the Purchaser has exercised such Purchaser's right to cancel the Sales Contract pursuant to Section 514A-62 of the Hawaii Revised Statutes; or

(d) The Purchaser has exercised the Purchaser's right to rescind the Sales Contract pursuant to Section 514A-63 of the Hawaii Revised Statutes.