

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer FERN DEVELOPMENT, INC. Address 2752 Woodlawn Drive, Ste. 5-205, Honolulu, HI

Project Name(*): MAKAHA VALLEY COTTAGES Address: 84-686 Farrington Highway, Makaha, HI

Registration No. 3262 (Conv) Effective date: June 28, 1995 Expiration date: July 28, 1996

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 nor any other government agency. Neither the Commission or any other government agency has judged or approved the merits or value, if any, of the project or of purchasing of 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 any 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:

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.

X FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission. [X] 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:

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.

No prior reports have been issued by the developer.

Changes made are as follows:

SPECIAL ATTENTION

This is a CONDOMINIUM PROJECT, not a subdivision. The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and is not a legally subdivided lot. The dotted lines on the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

This public report does not constitute approval of the Project by the Real Estate Commission, or any other government agency, nor does it ensure that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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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 or 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: FERN DEVELOPMENT, INC. Phone: 988-8077
Name (Business)
2752 Woodlawn Drive, Ste. 5-205
Business Address
Honolulu, HI 96822

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

Abraham Lee, President

Real Estate Broker: Sheldon Good & Co., Pacific Rim Division Phone: 988-8077
Name (Business)
2752 Woodlawn Drive, Ste. 5-205
Business Address
Honolulu, HI 96822

Escrow: Island Title Corporation Phone: 526-9171
Name (Business)
1132 Bishop St., Ste. 400
Business Address
Honolulu, HI 96813

General Contractor: N/A Phone: _____
Name (Business)

Business Address

Condominium Managing Agent: Self-managed by the Owners Association Phone: _____
Name (Business)

Business Address

Attorney for Developer: Glenn M. Adachi Phone: 526-3880
Name (Business)
841 Bishop St., #1601
Business Address
Honolulu, HI 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:

- Proposed
 Recorded - Bureau of Conveyances: Document No. _____
Book _____ Page _____
 Filed - Land Court: Document No. 2196811

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, dimensions of each apartment.

The Condominium Map for this condominium project is:

- Proposed
 Recorded - Bureau of Conveyances Condo Map No. _____
 Filed - Land Court Condo Map No. 1056

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:

- Proposed
 Recorded - Bureau of Conveyances: Document No. _____
Book _____ Page _____
 Filed - Land Court: Document No. 2196812

The Bylaws referred to above have been amended by the following instruments [state name of document, dated 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:

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:

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

*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.

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

1. To amend the Declaration, By-Laws and Condominium Map at anytime prior to recording of the sale of the unit.
2. To amend the Declaration and Condominium Map to file the "as built" certificate.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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: _____

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: 84-686 Farrington Highway Tax Map Key: (1) 8-4-17: 05
Makaha, HI (TMK)

Address TMK is expected to change because _____

Land Area: 40,000 square feet acre(s) Zoning: R-5

Fee Owner : See Exhibit A
 Name _____
 Address _____

Sublessor: _____
 Name _____
 Address _____

C. Buildings and Other Improvements:

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

2. Number of Buildings: 5 Floors Per Building 1

Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete (Slab) Hollow Tile Wood

Other _____

4. Permitted Uses by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>		<u>No. of Apts.</u>	<u>Use Determined By Zoning</u>
<input checked="" type="checkbox"/> Residential	<u>5</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Other: _____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?

Yes No

5. Special Use Restrictions: See Exhibit "E"

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:

Pets: No livestock or poultry except for animals customarily kept as pets.

Number of Occupants: _____

Other: Existing Use Permit No. 94/EU-10

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

<u>Apt.No.</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
<u>84-686</u>	<u>1</u>	<u>3/1</u>	<u>1,234</u>	_____
<u>84-686A</u>	<u>1</u>	<u>3/1</u>	<u>975</u>	_____
<u>84-686B</u>	<u>1</u>	<u>2/1</u>	<u>790</u>	_____
<u>84-686C</u>	<u>1</u>	<u>3/1</u>	<u>943</u>	_____
<u>84-686D</u>	<u>1</u>	<u>1/1</u>	<u>602</u>	_____

Total Apartments: 5

***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 the those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

1. All perimeter walls, floors, foundations and roof of each building.
2. All pipes, wires, conduits, or other utility and service lines in such building, outside such building, if the same are not utilized for more than one apartment.

Permitted Alterations to Apartments:

Apartment owner, may renovate, remodel, make additions to, remove or restore the unit.

7. Parking Stalls:

Total Parking Stalls: 10

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	
Assigned (for each units)	<u>1</u>	<u>1</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>2</u>
Guest	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unassigned	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Extra for Purchase	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other:	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Covered & Open	<u>10</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

8. Recreational and Other Common Facilities:

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

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

- 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): See Exhibit C

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

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

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

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>	
Uses	<u>X</u>	<u> </u>	<u> </u>	
Structures	<u> </u>	<u>X*</u>	<u> </u>	See Exhibit B
Lot	<u>X</u>	<u> </u>	<u> </u>	

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

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

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

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

1. Common Elements: Common Elements are those parts of the condominium project 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:

described in Exhibit D.

as follows:

*Owners and Developer have received an existing use permit (94/EU-10) dated November 15, 1994 see item 7 of the Disclosure Abstract attached hereto as Exhibit I.

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.

The limited common elements and the apartments which use them, as described in the Declaration, are:

described in Exhibit _____.

as follows:

The portion of the land area beneath and adjacent to each unit as delineated on the site plan of the Condominium Map. Said land areas are NOT legally subdivided lots.

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:

described in Exhibit _____.

as follows:

<u>Unit No.</u>	<u>Common Interest Percentage</u>
84-686	25%
84-686A	15%
84-686B	13%
84-686C	15%
84-686D	32%

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 B describes the encumbrances against the title contained in the title report dated 10/20/94 and issued by Title Guaranty of Hawaii.

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.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage	If the mortgage lien is foreclosed prior to conveyance to Buyer, Buyer may lose his interest in the property, but would be entitled to return of all of his deposit moneys. However, should the Buyer's deposit be disbursed by escrow and the lien be foreclosed prior to conveyance to Buyer, Buyer may not be able to recover the deposit moneys.

F. **Construction Warranties:** N/A

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

2. Appliances:

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

The 5 units were relocated onto the property between 1948 to 1965.

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):

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:

- | | |
|---|--|
| <input type="checkbox"/> not affiliated with the Developer | <input type="checkbox"/> the Developer or the Developer's affiliate. |
| <input checked="" type="checkbox"/> self-managed by the Association of Apartment Owners | <input type="checkbox"/> 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 F 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:

- | | | | |
|--|---|--------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> Electricity | <input type="checkbox"/> Gas | <input type="checkbox"/> Water |
| <input type="checkbox"/> Sewer | <input type="checkbox"/> Television Cable | <input type="checkbox"/> 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:

Notice to Owner Occupants

Specimen Sales Contract

Exhibit G contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated October 18, 1994

Exhibit H 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 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. 3262 filed with the Real Estate Commission on Nov. 17, 1994.

Reproduction of Report. When reproduced, this report must be on:

[] yellow paper stock

[X] white paper stock

[] pink paper stock

C. Additional Information Not Covered Above

Abraham W. H. Lee, President of Fern Development, Inc., the developer, is the principal broker of Sheldon Good & Co., Pacific Rim Division, the project broker.

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.

Fern Development, Inc.
Name of Developer

By: Abraham Lee 4/7/95
Duly Authorized Signatory Date

ABRAHAM LEE, PRESIDENT
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"

LIST OF OWNERS

GEORGE YOSHITO MORIOKA,
husband of Marion (nmn) Morioka,
as to an undivided 1/4 interest

TAMAE SHIRAISHI,
Trustee under that certain unrecorded Revocable Trust of Tamae
M. Shiraishi dated June 3, 1991 with powers to sell, mortgage,
lease, etc.
as to an undivided 1/4 interest

MILDRED ASAYO IWAMOTO,
Trustee of the Mildred Asayo Iwamoto Revocable Living Trust
as to an undivided 1/4 interest

HARRY Y. YAMADA and ROSE S. YAMADA,
Trustees under that unrecorded Harry Y. Yamada Revocable
Living Trust dated February 27, 1991, with powers to sell,
mortgage, lease, etc.
as to an undivided 1/8 interest

ROSE S. YAMADA and HARRY Y. YAMADA,
Trustees under that unrecorded Rose S. Yamada Revocable Living
Trust dated February 27, 1991, with powers to sell, mortgage,
lease, etc.
as to an undivided 1/8 interest

AS TENANTS IN COMMON IN EQUAL SHARES

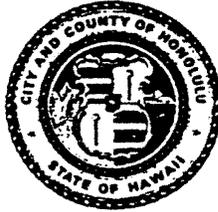
The Developer is Assignee under that certain Assignment of
unrecorded DROA dated October 20, 1994, by which instrument the
Buyers interest was assigned.

No sale of any apartment will close unless the sale of the property
to Developer closes simultaneously and/or title to the property has
been conveyed to Developer.

NOTE: By deed dated June 1, 1995 recorded in the Office of the
Assistant Registrar of the Land Court as Document No. 2241554, the
fee owners listed above conveyed title to the Developer, Fern
Development, Inc., a Hawaii corporation.

BUILDING DEPARTMENT
CITY AND COUNTY OF HONOLULU

HONOLULU MUNICIPAL BUILDING
630 SOUTH KING STREET
HONOLULU, HAWAII 96813



WILLIAM F. REMULAR, ACTING
DIRECTOR AND BUILDING SUPERINTENDENT

Ex94-107

September 29, 1994

REMY HARRIS
MAYOR

Mr. Abraham Lee
Abe Lee Development, Inc.
2752 Woodlawn Drive, Suite 5-205
Honolulu, Hawaii 96822

Dear Mr. Lee:

Subject: Condominium Conversion Project
84-686 A, B, C, D & E Farrington Highway
Tax Map Key: 8-4-017: 005

This is in response to your letter dated August 16, 1994 requesting verification that the project located at 84-686A, B, C, D & E Farrington Highway met all applicable code requirements at the time of construction.

Investigation revealed that the five one-story single-family detached dwellings with gravel surface off-street parking spaces met all applicable code requirements when they were relocated to this property in 1948 through 1965.

The five dwellings are considered nonconforming dwelling units. If any dwelling is destroyed by any means to an extent of more than 50 percent of its replacement cost at the time of destruction, it shall not be reconstructed except in conformity with the provisions of Section 3.120D of the Land Use Ordinance unless an existing use permit is obtained from the Department of Land Utilization prior to the destruction. The gravel surface off-street parking spaces are also nonconforming.

For your information, the Building Department cannot determine whether this project contains any other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes.

EXHIBIT "B"

Mr. Abraham Lee
September 29, 1994
Page 2

No variances or special permits were granted to allow deviations from any applicable codes.

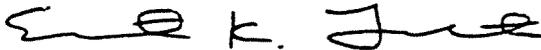
If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of this office at 527-6341.

Very truly yours,



W. F. REMULAR
Acting Director and Building Superintendent

Subscribed and sworn to
before me this _____ 3rd _____ day of
October _____, 1994.



Notary Public, First Judicial Circuit
State of Hawaii
My commission expires: June 21, 1995

September 8, 1994

Abe Lee Development, Inc.
2752 Woodlawn Drive, Suite 5-205
Honolulu, HI 96822

Attn: Mr. Abe Lee

Dear Mr. Lee:

Per your instructions, a visual inspection was made of the property located at 84-686, 84-686A, 84-686B, 84-686C and 84-686D Farrington Highway.

The purpose of the inspection was to examine and comment on the present state of the buildings.

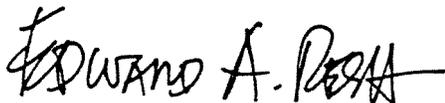
The following describes my assessment of the present condition of the buildings:

1. The structures appear in fair condition. The units are habitable and appear to be free from major structural defects.
2. The electrical system and plumbing system appear to be functioning properly and seem to be in fair condition.

CONCLUSION:

The buildings at present are in fair condition with no major structural defects.

Yours very truly,



Edward A. Resh
Registered Professional Architect
Hawaii Registration No. 3239

(041)

EXHIBIT "C"

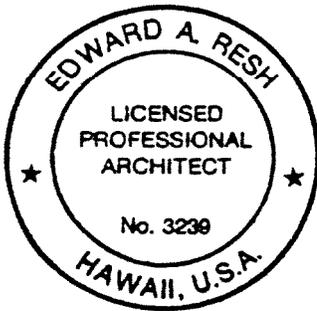
September 8, 1994

Abe Lee Development, Inc.
2752 Woodlawn Drive, Suite 5-205
Honolulu, HI 96822

Attention: Mr. Abe Lee

ARCHITECT'S CERTIFICATION

I certify that Dwelling Units 84-686, 84-686A, 84-686B, 84-686C and 84-686D on the City and County of Honolulu tax records which corresponds with Units 84-686, 84-686A, 84-686B, 84-686C and 84-686D on the CPR map for the project named Makaha Valley Cottages located at Makaha, Waianae, Oahu, Hawaii, conforms to the Building Codes in force at the time of their construction.



Signed:

A handwritten signature in black ink that reads "Edward A. Resh".

Edward A. Resh
No. 3239

EXHIBIT "D"

DESCRIPTION OF COMMON ELEMENTS

1. The land in fee simple described in the Declaration of Condominium Property Regime.

2. The driveway access to the apartments labeled "Common Element") on the Condominium Map.

3. All ducts, sewer lines, electrical equipment, pipes, wiring, and other central and appurtenant transmission facilities and installations which serve the apartments for services such as power, light, water, gas, refuse, telephone, radio, and television signal distribution.

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

EXHIBIT "E"

ENCUMBRANCES AGAINST TITLE

1. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in that certain unrecorded Revocable Trust of Tamae M. Shiraishi dated June 3, 1991.

2. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the Mildred Asayo Iwamoto Revocable Living Trust.

3. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in that certain unrecorded Harry Y. Yamada Revocable Living Trust dated February 27, 1991.

4. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in that certain unrecorded Rose S. Yamada Revocable Living Trust dated February 27, 1991.

5. The terms and conditions contained in Existing Use Permit No. 94/EU-10 dated November 15, 1994 issued by the Department of Land Utilization (a copy of the existing use permit is attached to Exhibit I).

6. Real property taxes due and payable. For more information contact City and County of Honolulu, Department of Finance, Real Property Tax Assessment.

EXHIBIT F

ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS FOR "MAKAHA VALLEY COTTAGES"

(makamain)

DESCRIPTION OF ITEMS	Is Item Individually Paid by Each Unit Owner?	THESE ARE THE MONTHLY COSTS FOR EACH UNIT					Monthly Total for Assoc.
		NO. 84-686	NO. 84-686A	NO. 84-686B	NO. 84-686C	NO. 84-686D	
UTILITIES AND SERVICES							
Air Conditioning.....	YES						
Electricity.....	YES						
() common elements.....	N/A						
() common elements.....	N/A						
and apartments							
Gas.....	N/A						
Refuse Collection.....	YES						
Telephone.....	YES						
Water and Sewer.....	YES						
MAINTENANCE, REPAIRS, ETC.							
Buildings.....	YES						
Grounds (Driveway only).....	NO	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 50.00
MANAGEMENT							
Management Fee.....	N/A						
Payroll & Payroll Taxes.....	N/A						
Office Expenses.....	N/A						
COMMON ELEMENT INSURANCE.....	NO	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 62.50
HOMEOWNER'S INSURANCE.....	YES						
RESERVES.....	NO	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 50.00
TAXES & GOVERNMENT ASSESS.....	N/A						
AUDIT FEE.....	N/A						
<hr/>							
TOTAL MONTHLY FEES		\$ 32.50	\$ 32.50	\$ 32.50	\$ 32.50	\$ 32.50	\$ 162.50
TOTAL ANNUAL FEES (MONTHLY FEE X 12 MONTHS)		\$ 390.00	\$ 390.00	\$ 390.00	\$ 390.00	\$ 390.00	\$ 1,950.00

I/We, the ASSOCIATION OF APARTMENT OWNERS OF MAKAHA VALLEY COTTAGES, as managing agents for the condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

DEVELOPER: FERN DEVELOPMENT, INC. BY ITS PRESIDENT, ABRAHAM LEE

Abraham Lee Date: 3/22/95

EXHIBIT G

SUMMARY OF SALES CONTRACT

The Condominium Deposit Receipt and Sales Contract ("sales contract") contains the price, description and apartment and other terms and conditions under which a buyer will agree to buy an apartment in the Project. Among other things, the sales contract provides:

1. A breakdown of the schedule of payments buyer will make.
2. Buyer to purchase an additional parking stall, if available.
3. Additional charges buyer will pay at closing.
4. A seller's disclosure statement as to the condition of the building.
5. Acknowledgement by buyer concerning representations made by Seller and Seller's agent about the rental of the apartment, condition of the unit, the building or the property, compliance with building, zoning, land use, subdivision or other applicable law, ordinance, rule or regulation, condition of the soil, improvements under the land or on or under adjoining land, matters concerning utility systems, drainage systems, or survey.
6. The buyer is buying the unit in "AS IS" condition.
7. Buyer's right to cancel the sales contract.
8. Subordination of the sales contract to any interim loan to finance the acquisition of the property.
9. Buyer's deposits will be held in escrow until the sales contract is closed or cancelled.
10. Proration of taxes, assessments and other charges at date of closing.
11. Buyer agrees to the appointment of the initial management agent.
12. If Seller elects, buyer agrees to preclose by signing all documents prior to closing date.
13. What will happen if there is a default under the sales contract.

14. If buyer is financing a portion of the sales price, buyer will apply for a loan within 5 days after notification by Seller. Buyer will be in breach of the sales contract if buyer fails to apply for the loan after notification by Seller. Seller may keep down payment as liquidated damages or terminate the sales contract.

15. If buyer fails to qualify for a loan, Seller at its option, may terminate the sales contract and have escrow refund buyer's deposit less any fees for credit reports or escrow charges.

16. If the project is not feasible Seller may elect to cancel the project.

17. Inspection of the property by buyer.

The sales contract contains various other provisions which the buyer should become acquainted.

EXHIBIT "H"

SUMMARY OF ESCROW AGREEMENT

The escrow agreement established an arrangement under which the deposits a buyer makes under a Condominium Deposit, Receipt and Sales Contract ("sales contract") will be held by a neutral party ("Escrow"). Under the escrow agreement these things will or may happen:

(a) Signed copies of the sales contract will be provided to Escrow.

(b) Escrow will collect payments due pursuant to the sales contract.

(c) Seller will notify Escrow who in turn will notify buyers when payments are due.

(d) Escrow will accept purchaser's payments pursuant to the sales contract and will hold the funds or make payments according to the escrow agreement.

(e) Escrow will disburse buyer's funds only after the following have happened:

1. the Real Estate has issued a final public report;
2. buyer has received a copy of the final report and given Seller a receipt;
3. 2 working days after Seller has notified Escrow that it has received the receipt;
4. Seller has notified Escrow in writing that all requirements of §§ 514A-39 and -63, HRS, have been satisfied;
5. Seller notifies Escrow that the sales contract has become binding and that Seller's and buyer's rights of cancellation have lapsed or become void.

(f) Escrow will refund Buyer's funds if Seller tells Escrow in writing that a refund should be made in accordance with the sales contract. No refund will be made a buyer's request unless Escrow receives written approval from the Seller.

(g) Escrow will refund owner/occupant buyer's deposits, if Seller and buyer request a refund in writing, and (1) Seller does not offer buyer a sales contract; or (2) buyer fails to obtain financing within the prescribed time; or (3) buyer asks to cancel because of hardship circumstances; or (4) buyer does not plan to occupy the apartment.

(h) If buyer defaults Seller will notify Escrow of such default. Escrow will notify buyer by registered mail that Seller has canceled sales contract because of buyer's default. After 10

days following buyer's receipt of cancellation notice, Escrow will treat buyer's funds (less escrow cancellation fee) as Seller.

(h) Escrow will arrange for and supervise the signing of all necessary documents.

(i) The escrow agreement sets forth Escrow's responsibilities in the event of any disputes.

The escrow agreement contains various other provisions and establishes certain charges with which the purchaser should become acquainted.

EXHIBIT "I"

DISCLOSURE ABSTRACT

1. a. PROJECT: MAKAHA VALLEY COTTAGES
84-686 Farrington Highway
Makaha, HI 96792
- b. DEVELOPER: FERN DEVELOPMENT, INC.
2752 Woodlawn Drive, Ste. 5-205
Honolulu, HI 96822
- OWNERS/
SELLERS: GEORGE YOSHITO MORIOKA,
husband of Marion (nmn) Morioka,
as to an undivided 1/4 interest
- TAMAE SHIRAIISHI,
Trustee under that certain
unrecorded Revocable Trust of Tamae
M. Shiraishi dated June 3, 1991 with
powers to sell, mortgage, lease,
etc.
as to an undivided 1/4 interest
- MILDRED ASAYO IWAMOTO,
Trustee of the Mildred Asayo Iwamoto
Revocable Living Trust
as to an undivided 1/4 interest
- HARRY Y. YAMADA and ROSE S. YAMADA,
Trustees under that unrecorded Harry
Y. Yamada Revocable Living Trust
dated February 27, 1991, with powers
to sell, mortgage, lease, etc.
as to an undivided 1/8 interest
- ROSE S. YAMADA and HARRY Y. YAMADA,
Trustees under that unrecorded Rose
S. Yamada Revocable Living Trust
dated February 27, 1991, with powers
to sell, mortgage, lease, etc.
as to an undivided 1/8 interest
- c. MANAGING AGENT: None. Project will be self-managed.

2. Estimated Maintenance Fee Assessments and Disbursements

Maintenance Fees: The routine maintenance and repair of each apartment unit, including all utility charges, is the sole responsibility of each owner. The breakdown of annual maintenance fees and monthly estimate for each apartment has been based on generally accepted accounting principles and is

attached to the Final Public Report as Exhibit F.

Individual Insurance: Section 514A-86, Hawaii Revised Statutes, requires that fire insurance be purchased to cover the Project's improvements. It is contemplated that each apartment owner will purchase and maintain his own homeowner's insurance policy which will include fire and liability coverage, and name the Association as an additional insured. As such, the premiums on said policies will be the individual responsibility of each apartment owner rather than a common expense of the Association. Purchasers should be aware that the premiums for said fire insurance will vary depending upon the insurance company and the coverage. If it is necessary for the Association to have its own public liability coverage (which could occur), this will become a common expense of the Association shared by the apartment owners.

3. Description of All Warranties Covering the Apartments and Common Elements.

Purchasers are advised that Apartments 84-686 through 84-686D are existing buildings. The five one-story buildings were relocated onto the property between 1948 to 1965. As such the buildings are subject to "wear and tear" commensurate with their age. NO WARRANTIES FOR FITNESS OF USE OR MERCHANTABILITY OR ANY OTHER KIND ARE MADE AS TO ANY OF THE APARTMENTS. PURCHASERS ARE ADVISED TO CONDUCT THEIR OWN INSPECTION OF THE APARTMENT THEY DESIRE TO BUY. THE APARTMENTS ARE BEING SOLD "AS IS".

4. Use of Apartments. The MAKAHA VALLEY COTTAGES condominium project consists of five (5) apartments which will be used for residential purposes by the owners, their tenants, servants, guests and invitees and for no other purpose.

5. Structural Components and Mechanical and Electrical Installations.

Based on a visual inspection report prepared by a registered architect (a copy of said report is attached as Exhibit C to this public report), it is the Developers' opinion that all structures are in fair condition and the plumbing and electrical systems material to the use and enjoyment of the Apartments appear to be functioning properly and in fair condition. However, NO REPRESENTATIONS OF ANY KIND ARE MADE AS TO THE EXPECTED USEFUL LIFE, IF ANY, OF THE STRUCTURAL COMPONENTS AND MECHANICAL AND ELECTRICAL INSTALLATIONS MATERIAL TO THE USE AND ENJOYMENT OF ANY OF THE APARTMENTS.

6. Code Violations. To the best of the knowledge, information and belief of the undersigned, there are no outstanding

notices of uncured violations of the building code or municipal regulations of the City and County of Honolulu.

7. Nonconforming Dwellings and Off-Street Parking. According to the Building Department, the five dwellings are considered nonconforming dwelling units. If any dwelling is destroyed to an extent of more than 50% of its replacement cost (at the time of destruction), the dwelling cannot be reconstructed.

The owners and developer have applied for and received from the Department of Land Utilization for an existing use permit dated November 15, 1994 (94/EU-10) which would allow the apartment owner to reconstruct their dwelling in the event it is destroyed to the extent of more than 50% of the replacement cost (at the time of destruction), subject to certain conditions contained in the existing use permit. A copy of the existing use permit is attached to this Disclosure Abstract.

DATE: 4/10/95

FERN DEVELOPMENT, INC.

By Gabeal Lee