CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer WATT HOMES - HAWAII DIVISION
Address 737 Bishop Street, Suite 2040, Honolulu, Hawaii 96813

Project Name(*): A'ELOA TERRACE
Address: Lot 8281, Namahoe Street, Kapolei, Hawaii 96707

Registration No. 3379 Effective date: July 10, 1996
Expiration date: August 10, 1997

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:

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

____ SUPPLEMENTARY: This report updates information contained in the: (pink)
[ ] 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 [X] Not Required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

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

[X] Changes made are as follows:

1. The Apartments have been re-numbered, and parking stalls have been reassigned.

2. The common interests for the apartments in the Project have been recalculated, and is based upon the net living area, covered lanai/laundry area, and the entry court area (which is a limited common element appurtenant to each apartment) of each apartment.

3. Certified Management has been designated as the new Managing Agent of the Project, and the estimated amount of maintenance fees has been reduced.

4. It is now contemplated that construction of the Project will be completed on or about September 30, 1996.

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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:

WATT HOMES - HAWAII DIVISION
Name
737 Bishop Street, Suite 2040
Business Address
Honolulu, Hawaii 96813

Phone: (808) 523-5896
(Business)

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

The general partners of the Developer are:
Watt Residential Associates, L.P.
WW Residential Investors III, L.P.

See Exhibit A for more information

Real Estate Broker:

Watt Hawaii Realty, Inc.
Name
737 Bishop Street, Suite 2040
Business Address
Honolulu, Hawaii 96813

Phone: (808) 523-5896
(Business)

Escrow:

Title Guaranty Escrow Services
Name
235 Queen Street, First Floor
Business Address
Honolulu, Hawaii 96813

Phone: (808) 521-0211
(Business)

General Contractor:

Albert C. Kobayashi, Inc.
Name
94-535 Ukee Street
Business Address
Waipahu, Hawaii 96797

Phone: (808) 671-6460
(Business)

Condominium Managing Agent:

Certified Management, Inc.
Name
3179 Koapaka Street
Business Address
Honolulu, Hawaii 96819

Phone: (808) 836-0911
(Business)

Attorney for Developer:

Bettina W. J. Lum, Esq.
Name
707 Richards Street, Suite 728
Business Address
Honolulu, Hawaii 96813

Phone: (808) 538-1113
(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:

[ ] Proposed

[ ] Recorded - Bureau of Conveyances: Document No. _____
Book_____ Page_____

[X] Filed - Land Court: Document No. 2317685

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:

[ ] Proposed

[ ] Recorded - Bureau of Conveyances Condo Map No. _____

[X] Filed - Land Court Condo Map No. 1155

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:

[ ] Proposed

[ ] Recorded - Bureau of Conveyances: Document No. _____
Book_____ Page_____

[X] Filed - Land Court: Document No. 2317686

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:

[ ] Proposed [X] 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 a Quorum of Directors

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

2. Developer:

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

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

See Exhibit B.

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, tide 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: Lot 8281, Namahoe Street
Kapolei, Hawaii 96707

Tax Map Key: (1) 9-1-16:94 (TMK)

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

Land Area: 5.476 [ ] square feet [X] acre(s) Zoning: AG-1 Restricted*

* The A'eloa Terrace Project is being developed under exemptions from zoning requirements approved by the Housing Finance and Development Corporation pursuant to Act 15, Session Laws of Hawaii 1988.

Fee Owner : Watt Residential Partners, dba Watt Homes - Hawaii Division
Name
737 Bishop Street, Suite 2040
Address
Honolulu, Hawaii 96813

Sublessor: N/A
Name

Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 10 (residential) Floors Per Building 2
(plus one 1-story Community Building)
[X] Exhibit C contains further explanations.

3. Principal Construction Material:

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

[X] Other Cement plaster, glass and allied construction materials

4. Permitted Uses by Zoning:

	No. of Apts.	Use Permitted By Zoning		No. of Apts.	Use Determined By Zoning
[X] Residential	96	[X] Yes [ ] No	[ ] Ohana		[ ] Yes [ ] No
[ ] Commercial		[ ] Yes [ ] No	[ ] Industrial		[ ] Yes [ ] No
[ ] Mix Res/Comm		[ ] Yes [ ] No	[ ] Agriculture		[ ] Yes [ ] No
[ ] Hotel		[ ] Yes [ ] No	[ ] Recreational		[ ] Yes [ ] No
[ ] Timeshare		[ ] Yes [ ] No	[ ] Other:		[ ] Yes [ ] No

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

5. Special Use Restrictions:

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

[X] Pets: No Pets are allowed, except in accordance with the Pet Policy described in the By-Laws (See Exhibit D)
[X] Number of Occupants: The House Rules restrict the number of occupants in each apartment. (See Exhibit D)

[X] Other: See Exhibit D

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairway: 48 Trash Chutes: 0
(Separate stairways for each upper floor apartment)

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Patio (sf)
See Exhibit E				

Total Apartments: 96

*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:

Each apartment includes the walls and partitions which are not load-bearing and which are within its perimeter walls; doors and door frames; windows and window frames; the inner decorated or finished surfaces of walls, floors and ceilings located within or at the perimeter of such apartment; and all fixtures originally installed therein. The apartments do not include the undecorated or unfinished surfaces of the perimeter walls or of the interior load-bearing walls, the floors and ceilings surrounding each apartment, or any pipes, wires, ducts, conduits, or other utility or service lines running through such apartments which are utilized for or serve more than one apartment.

Permitted Alterations to Apartments:

See Exhibit F

7. Parking Stalls:

Total Parking Stalls: 202

	Regular		Compact		Handicap ~~Tandam~~		
	covered	open	covered	open	covered	open	TOTAL
Assigned (for each unit)		98		89		5	192
Guest				9		1	10
Unassigned							
Extra for Purchase							
Other:							
Total Covered & Open		98		98		6	

Each apartment will have the exclusive use of at least two 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.

[X] Exhibit G contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

[ ] There are no recreational or common facilities.

[ ] Swimming pool [ ] Storage Area [ ] Recreation Area

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

[X] Other: Community Building

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

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

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

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

N/A

11. Conformance to Present Zoning Code

a. [X] No variances to zoning code have been granted.*

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

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

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but 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 H.

[ ] as follows:

* The A'eloa Terrace Project is being developed under exemptions from zoning requirements approved by the Housing Finance and Development Corporation pursuant to Act 15, Session Laws of Hawaii 1988.

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 I.

[ ] 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 J.

[ ] 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 K describes the encumbrances against the title contained in the title report dated May 29, 1996 and issued by Title Guaranty of Hawaii, Inc.

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
First Mortgage	At Mortgagee's option, either (a) Mortgagee takes place of Seller under Contract and sells to Buyer in accordance with the Contract, or (b) Contract is terminated and Deposit returned to Buyer.

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 L

2. Appliances:

   See Exhibit L

G. Status of Construction and Estimated Completion Date:

Construction commenced in August of 1995 and it is estimated that it will be completed in September of 1996.

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):

N/A

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:

[X] not affiliated with the Developer [ ] the Developer or the Developer's affiliate.
[ ] self-managed by the Association of Apartment Owners [ ] 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 M 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 [X] Electricity (common elements) [ ] Gas [X] Water
[X] Sewer [ ] Television Cable [X] Other refuse collection

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

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

[X] Escrow Agreement dated March 22, 1995
Exhibit O 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. 0. Box 541, Honolulu, HI 96809, at a nominal cost.

This Public Report is a part of Registration No. 3379 filed with the Real Estate Commission on 7/20/95.

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

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C. Additional Information Not Covered Above

The project broker, Watt Hawaii Realty, Inc., is 100% owned by the developer, Watt Residential Partners, a California partnership, dba Watt Homes - Hawaii Division.

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.

WATT HOMES - HAWAII DIVISION
Name of Developer

By: _____
Duly Authorized Signatory

JUL - 9 1996
Date

CHARLES J. HEITZMAN, Divisional 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

Information About the Developer

The Developer is a California general partnership, whose general partners are two limited partnerships:

Watt Residential Associates, L.P., a California limited partnership

and

WW Residential Investors III, L.P., a Delaware limited partnership

The general partner of Watt Residential Associates, L. P. is Pacific Northwest Builders, Inc., a California corporation, whose officers are:

J. Scott Watt	President
R. A. Watt	Vice President
Ryoko Takata	CFO
Christopher Chase	Secretary

The general partner of WW Residential Investors III, L.P. is WHW Company, Inc., a Delaware corporation, whose officers are:

Daniel M. Neidich	President
Edward M. Siskind	Vice President
Ralph F. Rosenberg	Vice President
David M. Weil	Vice President
David T. Hamamoto	Vice President
Paul R. Vogel	Vice President
Todd A. Williams	Vice President
Stuart M. Rothenberg	Treasurer
Keven Naughton	Secretary

EXHIBIT B

Developer's Rights to Make Amendments

Pursuant to Sections 15.2 and 15.3 of the proposed Declaration, the Developer may amend the Declaration, Condominium Map and By-Laws as follows:

1. At any time prior to the filing of the first apartment deed, the Developer has the right to make any amendments without the approval, consent or joinder of any purchaser; and

2. At any time prior to the filing of all apartment deeds, the Developer has the right to make the following amendments without the approval, consent or joinder of any purchaser or any persons then owning an apartment:

   a. To redesignate and any or all of the parking stalls appurtenant to any of the unsold apartments.

   b. To make amendments as may be required by law, the Real Estate Commission of the State of Hawaii, any title insurance company issuing a title insurance policy on the Project or any of the apartments, any institutional lender lending funds on the security of the Project or any of the apartments, or by any governmental agency, as a condition precedent to the marketing or sale of apartments; provided, however, that no such amendment which would change the common interest appurtenant to an apartment or substantially change the design, location or size of an apartment or the building in which it is located shall be made without the consent to such amendment by all persons having an interest in such apartment.

3. The Developer may at any time amend the Declaration, By-Laws and Condominium Map to file the "as-built" verified statement of a registered architect (with plans, if applicable) certifying, among other things, that the final plans filed or being filed with the amendment fully and accurately depict the layout, location, apartment numbers and dimensions of the apartment as built.

EXHIBIT C

Description of Buildings

The Project includes ten (10) separate two-story residential buildings without basements, designated as Buildings 1 through 10, inclusive, as shown on the Condominium Map, and a one-story Community Building without basement, designated as Building 11 on the Condominium Map.

Types of Residential Buildings. There are three types of residential buildings. Buildings 1, 3, 5 and 6 are Type A Buildings, Buildings 2, 7, 8 and 9 are Type B Buildings, and Buildings 4 and 10 are Type C Buildings.

(a) Type A Building. Each Type A Building contains a total of twelve (12) apartments, with four 3-bedroom apartments and two 2-bedroom apartments on the lower floor and four 3-bedroom apartments and two 2-bedroom apartments on the upper floor.

(b) Type B Building. Each Type B Building contains a total of eight (8) apartments, with two 3-bedroom apartments and two 2-bedroom apartments on the lower floor and two 3-bedroom apartments and two 2-bedroom apartments on the upper floor.

(c) Type C Building. Each Type C Building contains a total of eight (8) apartments, with two 2-bedroom apartments and two 1-bedroom apartments on the lower floor and two 2-bedroom apartments and two 1-bedroom apartments on the upper floor.

Description of Community Building. The Community Building will be a part of the common elements of the Project, and contains a maintenance room, meeting room, office, women's restroom, and men's restroom.

EXHIBIT D

SUMMARY OF SPECIAL USE RESTRICTIONS

1. Residential Use. The apartments shall be occupied and used only for residential purposes and no apartment shall be used as a tenement or rooming house or for or in connection with the carrying on of any business, trade or profession whatsoever. The apartments shall not be rented by the owners thereof for transient or hotel purposes.

2. Leasing. While the owners of apartments shall have the absolute right to lease their apartments, no apartment may be leased or rented for less than seven (7) consecutive days. The lease must be in writing and shall be subject to the A'eloa Terrace Declaration of Condominium Property Regime ("Declaration") and By-Laws of the Association of Apartments Owners of A'eloa Terrace.

3. No Time Sharing. The apartments in the Project or any interest therein shall not be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any rental pool or any time-sharing purpose or under any time-sharing plan, arrangement or program.

4. Protection of Project. No apartment shall be used for any purpose which will injure the reputation of the Project, jeopardize the soundness of any building, interfere with or unreasonably disturb the rights of other owners and occupants, obstruct any roadway or walkway to any improvements of the Project, increase the rate of property or liability insurance, or reduce the value of any improvements of the Project.

5. Alterations to Apartment. Except as provided in Section 14.2 of the Declaration, an apartment owner shall not, without the prior written consent of the Board, make any alterations in or additions to the apartment visible from the exterior of the apartment, or make any alterations in or additions to the exterior of the apartment or to the common elements.

6. Number of Occupants. The House Rules limit the number of occupants in each apartment, to three (3) persons in one-bedroom apartments, five (5) persons in two-bedroom apartments, and seven (7) persons in three-bedroom apartments.

7. Pets. No pets are permitted except in accordance with the following Pet Policy:

No pets or animals whatsoever shall be allowed or kept in any Apartment or any other part of the Project except in accordance with all of the following:

1. No more than one dog of less than 20 inches in height at the shoulder at maturity, or two cats, or one other household pet needing no access to the outside, approved and licensed by the Board or Managing Agent may be kept in any Apartment.

2. No animals described as pests under Section 150A-2 of the Hawaii Revised Statutes, as amended, or animals prohibited from importation under Section 141-2, 150A-5, or 150A-6 of the Hawaii Revised Statutes, as amended shall be permitted.

3. All pets shall be licensed and inoculated as may be required by law.

4. All pets shall be registered and licensed with the Board of Directors or Managing Agent, and each pet owner shall pay a reasonable registration fee as may be established by the Board of Directors.

5. Each pet owner must execute a license agreement which requires the pet to carry a conspicuous tag.

6. The owner of any pet shall compensate any person hurt or bitten by such pet, and shall hold the Board, the Association and the Managing Agent harmless from any claim resulting from any action of his or her pet.

7. No pets shall be kept, bred or maintained for any commercial purposes.

8. Any pet causing or creating a nuisance or unreasonable disturbance or noise shall be permanently removed from the Project upon three (3) days written notice to the from the Board.

9. In no event shall any pets be permitted access to any portion of the Common Elements unless carried or on a leash.

10. No dogs shall be curbed in any courtyard or close to any lanai or patio, except in special areas designated by the Board.

11. Tenants of any Apartment Owner may keep pets in the Apartment rented by such tenant in accordance with these rules; provided that the Apartment Owner agrees in writing to allow the tenant to keep such pets.

12. Any Apartment Owner who is keeping a pet as provided herein, may upon the death of such pet, replace such pet with another and may continue to do so as long as the Apartment Owner continues to reside in any Apartment in the Project.

13. Any Apartment Owner who is keeping a pet pursuant to Paragraph 12 above as of the effective date of any amendment of the House Rules or By-Laws of the Project, which prohibits owners from keeping pets in their apartments shall not be subject to the prohibition, but shall be entitled to keep the pet and acquire new pets as provided in Paragraph 12.

14. Notwithstanding any other provision herein, visually impaired persons, hearing impaired persons and physically impaired persons shall be allowed to keep certified seeing-eye dogs, certified signal dogs, and certified service dogs, respectively in their Apartments. Further, nothing herein shall hinder full access to the Apartments and Common Elements by handicapped persons.

EXHIBIT E

INTERIORS OF APARTMENTS

Apartment Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/ Laundry (sf)
Lower Floor Three Bedroom	20	3/2	994	151
Handicap Three Bedroom	2	3/2	994	151
Visual and Hearing Impaired Three Bedroom	2	3/2	994	151
Upper Floor Three Bedroom	24	3/2	994	94
Lower Floor Two Bedroom Middle Unit	8	2/2	754	20
Upper Floor Two Bedroom Middle Unit	8	2/2	754	97
Lower Floor Two Bedroom End Unit	10	2/2	747	151
Handicap Two Bedroom	2	2/2	747	151
Upper Floor Two Bedroom End Unit	12	2/2	747	94
Lower Floor One Bedroom	3	1/1	534	151
Handicap One Bedroom	1	1/1	534	151
Upper floor One Bedroom	4	1/1	534	94

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

/071796/WATT/TERRACE/FPR.EXE/

EXHIBIT F

Summary of Permitted Alterations to Apartments

Pursuant to Article 14 of the Declaration, which should be read if alterations may be of concern to a buyer, alterations to the apartments are permitted as follows:

1. Limited Interior Alterations. The owner of an apartment may make alterations or additions within the apartment, at his or her own expense; provided that the same are not visible from the exterior of the apartment and do not jeopardize the soundness or the safety of the Project or impair any easement or hereditament, and that the owner has obtained necessary approvals from mortgagees, governmental agencies, the Board, and any other directly affected apartments.

2. No Material Alterations. No material alterations to the Project are permitted without the consent of 75% of all apartment owners, and all apartment owners directly affected. A "material alteration" is (a) any construction or alteration work which is different in any material respect from the Condominium Map, (b) anything which could jeopardize the soundness or safety of the Project, reduce its value or impair any easement or hereditament, or (c) the addition of any material structure or the excavation of any basement or cellar.

3. Alterations By Developer. Prior to the time that all apartments in the Project have been sold and recorded or the filing by the Developer of the "as built" verified statement, the Developer may make alterations in and to the Project (and to amend the Declaration and the Condominium Map accordingly), as follows: (a) alterations which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and the limited common elements appurtenant thereto) which is not sold and recorded, and (b) minor changes in any apartment in the Project or the common elements which do not affect the physical location, design or size of any apartment which has been sold or recorded.

EXHIBIT G

INITIAL PARKING STALL ASSIGNMENT

Bldg.	Apt. No.	Apt. Type	Stall Nos.
1 (Type A)	1A	3BR/2BA lower-VHI	200, 82C
	1B	2BR/2BA lower-mid	196, 84C
	1C	3BR/2BA lower	194, 86C
	1D	3BR/2BA lower	191, 184C
	1E	2BR/2BA lower-mid	198, 187C
	1F	3BR/2BA lower	202, 80C
	1G	3BR/2BA upper	199, 83C
	1H	2BR/2BA upper-mid	195, 85C
	1I	3BR/2BA upper	193, 87C
	1J	3BR/2BA upper	192, 185C
	1K	2BR/2BA upper-mid	197, 186C
	1L	3BR/2BA upper	201, 81C
2 (Type B)	2A	2BR/2BA lower-end	188, 181C
	2B	3BR/2BA lower	177, 179C
	2C	3BR/2BA lower	171, 125C
	2D	2BR/2BA lower-end	190, 183C
	2E	2BR/2BA upper-end	178, 180C
	2F	3BR/2BA upper	172, 126C
	2G	3BR/2BA upper	170, 124C
	2H	2BR/2BA upper-end	189, 182C
3 (Type A)	3A	3BR/2BA lower	175, 129C
	3B	2BR/2BA lower-mid	167, 133C
	3C	3BR/2BA lower	165, 135C
	3D	3BR/2BA lower	163, 137C
	3E	2BR/2BA lower-mid	169, 131C
	3F	3BR/2BA lower	173, 127C
	3G	3BR/2BA upper	174, 130C

C - Compact Stall
HCP - Handicap Stall
Note: All parking stalls are uncovered.

Bldg.	Apt. No.	Apt. Type	Stall Nos.
3	3H	2BR/2BA upper-mid	166, 134C
	3I	3BR/2BA upper	164, 136C
	3J	3BR/2BA upper	162, 138C
	3K	2BR/2BA upper-mid	168, 132C
	3L	3BR/2BA upper	176, 128C
4 (Type C)	4A	1BR/1BA lower	150, 158C
	4B	2BR/2BA lower-end	146, 154C
	4C	2BR/2BA lower-end	148, 156C
	4D	1BR/1BA lower	161, 160C
	4E	1BR/1BA upper	149, 157C
	4F	2BR/2BA upper-end	145, 153C
	4G	2BR/2BA upper-end	147, 155C
	4H	1BR/1BA upper	151, 159C
5 (Type A)	5A	3BR/2BA lower	142, 140C
	5B	2BR/2BA lower-mid	97, 113C
	5C	3BR/2BA lower	100, 110C
	5D	3BR/2BA lower	102, 108C
	5E	2BR/2BA lower-mid	104, 106C
	5F	3BR/2BA lower	144, 152C
	5G	3BR/2BA upper	105, 141C
	5H	2BR/2BA upper-mid	98, 112C
	5I	3BR/2BA upper	99, 111C
	5J	3BR/2BA upper	101, 109C
	5K	2BR/2BA upper-mid	103, 107C
	5L	3BR/2BA upper	143, 139C
6 (Type A)	6A	3BR/2BA lower	96, 114C
	6B	2BR/2BA lower-mid	90, 119C
	6C	3BR/2BA lower-HCP	123, 89HCP
	6D	3BR/2BA lower-HCP	79HCP, 122C
	6E	2BR/2BA lower-mid	92, 34C

C - Compact Stall
HCP - Handicap Stall
Note: All parking stalls are uncovered.

Bldg.	Apt. No.	Apt. Type	Stall Nos.
6	6F	3BR/2BA lower	93, 117C
	6G	3BR/2BA upper	95, 115C
	6H	2BR/2BA upper-mid	91, 118C
	6I	3BR/2BA upper	88, 120C
	6J	3BR/2BA upper	78, 121C
	6K	2BR/2BA upper-mid	63, 35C
	6L	3BR/2BA upper	94, 116C
7 (Type B)	7A	2BR/2BA lower-HCP	68HCP, 30C
	7B	3BR/2BA lower	66, 32C
	7C	3BR/2BA lower	64, 33C
	7D	2BR/2BA lower-end	65, 31C
	7E	2BR/2BA upper-end	58, 37C
	7F	3BR/2BA upper	59, 36C
	7G	3BR/2BA upper	60, 28C
	7H	2BR/2BA upper-end	61, 29C
8 (Type B)	8A	2BR/2BA lower-end	57, 39C
	8B	3BR/2BA lower-VHI	62, 38C
	8C	3BR/2BA lower	54, 42C
	8D	2BR/2BA lower-end	56, 40C
	8E	2BR/2BA upper-end	51, 41C
	8F	3BR/2BA upper	52, 44C
	8G	3BR/2BA upper	53, 43C
	8H	2BR/2BA upper-end	50, 45C
9 (Type B)	9A	3BR/2BA lower	20, 46C
	9B	2BR/2BA lower-HCP	55HCP, 23C
	9C	2BR/2BA lower-end	19, 25C
	9D	3BR/2BA lower	47, 22C
	9E	3BR/2BA upper	49, 21C
	9F	2BR/2BA upper-end	18, 26C
	9G	2BR/2BA upper-end	17, 27C

C - Compact Stall
HCP - Handicap Stall
Note: All parking stalls are uncovered.

Bldg.	Apt. No.	Apt. Type	Stall Nos.
9	9H	3BR/2BA upper	48, 24C
10 (Type C)	10A	2BR/2BA lower-end	5, 6
	10B	1BR/1BA lower-HCP	1HCP, 2
	10C	1BR/1BA lower	15, 16
	10D	2BR/2BA lower-end	11, 12
	10E	2BR/2BA upper-end	7, 8
	10F	1BR/1BA upper	3, 4
	10G	1BR/1BA upper	14, 13
	10H	2BR/2BA upper-end	9, 10

Guest Stalls: 69(HCP-VAN), 67C, 70C, 71C, 72C, 73C, 74C, 75C, 76C, 77C

C - Compact Stall
HCP - Handicap Stall
Note: All parking stalls are uncovered.

EXHIBIT H

Description of Common Elements

The Common Elements include the following:

(a) The Land in fee simple;

(b) All yards, entry courts, entrances, exits, gateways, stairways, grounds and landscaping, roadways, walkways, retaining walls, loading zones, refuse areas, and mail boxes which are not located in any apartments;

(c) All undecorated or unfinished perimeter load bearing walls, foundations, floor slabs, columns, girders, supports, roofs, fences, party walls, ceilings, and external fascia of all residential buildings;

(d) All roads, driveways, driveway ramps and parking areas;

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

(f) The Community Building, including the maintenance room, meeting room, office, women's restroom and men's restroom located therein;

(g) The one-hundred ninety-two (192) uncovered parking stalls located in the uncovered parking areas of the Project which are hereinafter designated as limited common elements;

(h) Each of the ten (10) uncovered parking stalls designated as parking stalls nos. 67, 69, 70, 71, 72, 73, 74, 75, 76 and 77 as shown on the Condominium Map are designated for guest parking; and

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

EXHIBIT I

Description of Limited Common Elements

The Limited Common Elements include the following:

(a) Each of the one hundred ninety-two (192) uncovered parking stalls in the Project other than those designated for guest parking, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it is assigned (see Exhibit G);

(b) The Entry Court providing access to each apartment as shown on the Condominium Map, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it provides access; and

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

EXHIBIT J

Description of Common Interests

Each of the ninety-six (96) apartments shall have appurtenant thereto an undivided percentage interest in all common elements of the Project including, the land, and the same proportionate share in all common profits and expenses of the Project and for all other purposes, including voting, as follows:

Type of Apartment	Percentage (each apt)		Number of Apts	Percentage (total)
Lower Floor 3-Bedroom Apartments (including Handicap and Visual and Hearing Impaired Units)	1.1739%	x	24	28.1736%
Upper Floor 3-Bedroom Apartments	1.2324%	x	24	29.5776%
Lower Floor 2-Bedroom (Middle (Unit) Apartments	0.7984%	x	8	6.3872%
Upper Floor 2-Bedroom (Middle (Unit) Apartments	0.8031%	x	8	6.4248%
Lower Floor 2-Bedroom (End Unit) Apartments (including Handicap Units)	0.9409%	x	12	11.2908%
Upper Floor 2-Bedroom (End Unit) Apartments	0.9994%	x	12	11.9928%
Lower Floor 1-Bedroom Apartments (including Handicap Unit)	0.7399%	x	4	2.9596%
Upper Floor 1-Bedroom Apartments	0.7984%	x	4	3.1936%
				100.000%

/061296/WATT/TERRACE/FPR.EXJ/

EXHIBIT K

Encumbrances Against Title

The encumbrances against title contained in the preliminary title report dated May 29, 1996, and issued by Title Guaranty of Hawaii, Inc. are as follows:

1. Real Property Taxes have been fully paid up to and including June 30, 1996.

2. The terms and provisions, including the failure to comply with any covenants, conditions and reservations contained in Quitclaim Deeds dated January 4, 1990 and January 3, 1990, filed in said Office of the Assistant Registrar of the Land Court as Land Court Document No. 1696820, and dated July 9, 1990 and June 20, 1990, filed as Land Court Document No. 1745093. The foregoing includes, but is not limited to, matters relating to mineral and water reservations.

3. The terms and provisions including the failure to comply with any covenants, conditions and reservations in Declaration of Conditions Imposed by the Land Use Commission dated June 6, 1990, filed in said Office of the Assistant Registrar of the Land Court as Land Court Document No. 1736622, as amended by instrument dated February 6, 1992, filed in said Office of the Assistant Registrar of the Land Court as Land Court Document No. 1888121.

4. Covenants, conditions and reservations set forth in Declaration of Covenants, Conditions and Restrictions Villages of Kapolei dated July 26, 1990, filed as Land Court Document No. 1752834, as amended by Annexation instrument dated August 5, 1994, filed as Land Court Document No. 2179261.

   Restated Declaration of Covenants, Conditions and Restrictions of Villages of Kapolei dated September 30, 1994, filed as Land Court Document No. 2199063.

   Second Restated Declaration of Covenants, Conditions and Restrictions of Villages of Kapolei dated February 16, 1995, filed as Land Court Document No. 2238460.

   Consent given by the U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, by instrument dated February 27, 1995, filed as Land Court Document No. 2238461.

5. Unrecorded DEVELOPMENT AGREEMENT dated April 20, 1993, made by and between HOUSING FINANCE AND DEVELOPMENT CORPORATION, a public body and a body corporate and politic of the State of Hawaii, "HFDC", and WATT HAWAII, INC., a California corporation duly authorized to do business in the State of Hawaii, "Developer", as amended and restated as of December 10, 1993, or which a MEMORANDUM OF DEVELOPMENT AGREEMENT (Village 2) is dated February 3, 1994, filed as Land Court Document No. 2117935.

6. COLLATERAL ASSIGNMENT OF DEVELOPMENT AGREEMENT, MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT

MORTGAGOR: WATT HAWAII, INC., a California corporation

MORTGAGEE: HOUSING FINANCE AND DEVELOPMENT CORPORATION, a public body and a body corporate and politic of the State of Hawaii

DATED: February 3, 1994
FILED: Land Court Document No. 2117937
AMOUNT: $100,000,000.00

ASSUMPTION AGREEMENT AND CONSENT dated December 2, 1994, filed as Land Court Document No. 2204955, made by and among WATT HAWAII, INC., a California corporation, "Developer", WATT RESIDENTIAL PARTNERS, a California general partnership, "Partnership", and HOUSING FINANCE AND DEVELOPMENT CORPORATION, a public body and body corporate and politic of the State of Hawaii, "HFDC", whereby Developer transfers to Partnership all liabilities, obligations and claims under or arising out of or in connection with said Collateral Assignment of Development Agreement, Mortgage, Security Agreement and Financing Statement.

7. ASSIGNMENT OF SELLER'S INTEREST UNDER AGREEMENTS OF SALE, SALES CONTACTS AN ESCROW AGREEMENT; SECURITY AGREEMENT dated February 3, 1994, recorded as Document No. 94-024776, made by WATT HAWAII, INC., a California corporation, "Assignor", to HOUSING FINANCE AND DEVELOPMENT CORPORATION, "Assignee", assigning all of the right, title and interest of the Assignor in and to any and all Agreements of Sale, now or hereafter made, covering any portion of the premises described in Schedule C, etc., to secure repayment of that certain promissory note in the principal amount of $100,000,000.00. (Not noted on Transfer Certificate(s) of Title referred to herein.)

ASSUMPTION AGREEMENT AND CONSENT dated December 2, 1994, filed as Land Court Document No. 2204955, made by and among WATT HAWAII, INC., a California corporation, "Developer",

WATT RESIDENTIAL PARTNERS, a California general partnership, "Partnership", and HOUSING FINANCE AND DEVELOPMENT CORPORATION, a public body and body corporate and politic of the State of Hawaii, "HFDC", whereby Developer transfers to Partnership all liabilities, obligations and claims under or arising out of or in connection with said Assignment of Seller's Interest under Agreement of Sale, Sales Contracts and Escrow Agreement; Security Agreement.

8. GRANT

TO: HAWAIIAN ELECTRIC COMPANY, INC. and GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED

DATED: March 27, 1996
FILED: Land Court Document No. 2311363
GRANTING: a perpetual right and easement to construct, reconstruct, operate, maintain, repair and remove pull boxes, etc., for the transmission and distribution of electricity

9. Encroachments, or any other facts which a correct boundary and improvement survey would disclose.

EXHIBIT L

Warranties

1. Building and Other Improvements. Seller will provide to buyers a "New Home Limited Warranty", with a one-year term, which commences on the date of closing of the sale of the apartment to Buyer, and terminates one year thereafter. A copy of the form of warranty is provided to each buyer at the time of signing of the contract.

2. Appliances. Seller makes no warranties itself, but agrees that recordation of an Apartment Deed shall be deemed to constitute an assignment by Seller to Buyer of the unexpired term, if any, of any manufacturer's or dealer's warranties which are assignable, covering any furnishings, fixtures, appliances and consumer products in the apartment.

3. Exclusion of Warranties. The Reservation and Sales Agreement contains the following disclaimer/exclusion of warranties:

Exclusion of Other Warranties. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION ON THE FACE HEREOF. EXCEPT AS SET FORTH IN THE NEW HOME LIMITED WARRANTY, SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY, THE APARTMENT OR THE PROJECT (INCLUDING THE COMMON ELEMENTS AND LIMITED COMMON ELEMENTS THEREOF), OR WITH RESPECT TO ANY FURNISHINGS, FIXTURES, APPLIANCES OR OTHER CONSUMER PRODUCTS OR OTHER ITEMS WHATSOEVER INSTALLED, AFFIXED OR OTHERWISE CONTAINED IN THE APARTMENT, THE PROPERTY OR THE PROJECT (INCLUDING THE COMMON ELEMENTS AND LIMITED COMMON ELEMENTS THEREOF), INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS FOR A PARTICULAR USE OR PURPOSE.

EXHIBIT M

A'EOLOA TERRACE
96 UNITS
Estimated Annual Common Expense

	Monthly	Annual
Utilities and Services		
Electricity (common elements only)	$250.00	$3,000.00
Refuse Collection	$750.00	$9,000.00
Water and Sewer	$3,078.00	$36,936.00
Maintenance, Repairs, and Supplies		
Building	$845.00	$10,140.00
Grounds	$2,800.00	$33,600.00
Management		
Management Fee	$1,120.00	$13,440.00
Office Expenses	$282.00	$3,384.00
Insurance	$1,727.00	$20,724.00
Reserves	$3,336.00	$40,032.00
Taxes and Government Assessments	$7.00	$84.00
Audit and Tax Preparation	$90.00	$1,080.00
Taxable Income	($80.00)	($960.00)
TOTAL	$14,205.00	$170,460.00

April 30, 1996

ROGER WOODBURY, PCAM
Senior Community Association Manager

A'ELOA TERRACE

BUDGET ASSUMPTIONS

Electricity - Includes common area ground lighting and parking areas.

Refuse - Two (2) containers four (4) times a week.

Water/Sewer - Based on 1996 fees and comparable projects.

Maintenance/Buildings - Contract services for exterior repairs, supplies, and custodial services for common areas.

Maintenance/Grounds - Includes maintenance of the common areas and maintenance of sprinkler system.

Office Expense - Includes mail-outs to all owners as required, coupons, condominium registration fee and miscellaneous expenses.

Insurance - Coverage by State Farm includes Fire ($8.5M), General Liability ($1.0M), Directors & Officers ($1.0M), Umbrella Liability ($1.0M), Fidelity Bond ($50K) and Excess Hurricane ($8.0M). State Hurricane Fund ($500K). Hurricane deductible is 1% of total insured value.

Reserves - Includes repainting, reroofing, building maintenance, area lighting, driveway/parking resealing, and wall rehab.

Taxable Income - Late fees and interest from operating and reserve accounts.

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A'ELOA TERRACE

Estimated Maintenance Fees

Unit Type	Number	% Common Interest	Maint. Fee
1/1 Lower	4	0.7399	$105.17
1/1 Upper	4	0.7984	$113.41
2/2 Lower Mid	8	0.7984	$113.41
2/2 Upper Mid	8	0.8031	$114.08
2/2 Lower End	12	0.9409	$133.65
2/2 Upper End	12	0.9994	$141.96
3/2 Lower	24	1.1739	$166.75
3/2 Upper	24	1.2324	$175.06

EXHIBIT N

Summary of Reservation and Sales Agreement

The specimen A'eloa Terrace Reservation and Sales Agreement (the "Sales Agreement") sets forth the terms, provisions, conditions and covenants between the Seller and Buyer for the sale and purchase of an Apartment in the Project. In case of any conflict between the following summary and the Sales Agreement, the latter will control. The Sales Agreement contains:

1. A description of the Project and the Property.

2. An acknowledgement that the Buyer has received and has had a full opportunity to read and review, and has approved the Preliminary Public Report and/or Final Public Report of the Project issued by the Developer and certain other documents.

3. An agreement that if at the time of execution of the Sales Agreement by the Buyer and the Seller, a Final Public Report for the Project has not been issued by the Real Estate Commission of the State of Hawaii, the Sales Agreement shall not be legally binding upon either Buyer or Seller. In such event, the Sales Agreement shall constitute a "reservation," not a binding contract, and Seller shall have no obligation to sell and Buyer shall have no obligation to purchase the Apartment. In the event that the Sales Agreement is entered into after the issuance of a Final Public Report, the Sales Agreement shall be a fully binding contract upon Buyer and Seller upon Buyer's waiver of rescission rights as provided in the Agreement.

4. An authorization from Buyer to Escrow to disburse deposited funds in accordance with the terms of the Escrow Agreement.

5. An agreement that if any portion of the purchase price is to be financed, Buyer is required to deliver to Seller a "pre-commitment" letter from Buyer's Lender, indicating that Buyer has been prequalified for a mortgage loan in the amount Buyer intends to finance. At least thirty (30) days prior to the Scheduled Closing, Buyer is required to take all actions necessary to close the loan.

6. An agreement that the Seller has the right, subject to approval by the Housing Finance and Development Corporation of the State of Hawaii ("HFDC"), to increase the Total Purchase Price of Apartments only to the extent

necessitated by increases in the development and construction costs of the Project as a result of delays due to governmental restrictions or regulations, delays in the completion of construction of infrastructure improvements beyond the control of the Seller, or the occurrence of any other contingency which was not contemplated by the Sales Agreement.

7. An acknowledgement that Seller and HFDC have entered into a Development Agreement in which HFDC agrees, among other things, to complete certain infrastructure improvements, to obtain certain governmental permits for the development, use and occupancy of the Apartment.

8. An acknowledgement and agreement that the Apartment may be sold only to a "Qualified Resident", who is a Low-Moderate Income Purchaser" or "Moderate Income Purchaser" in accordance with HFDC's requirements.

9. An acknowledgement and agreement that pursuant to the Development Agreement, Seller is required to sell the Apartment to Buyer subject to the following restrictions on the use and transfer of the Apartment and subject to a shared appreciation equity program in favor of HFDC, as described hereinbelow, and as more particularly described in the Sales Agreement.

A. Restrictions on Use and Transfer of the Apartment. The transfer of the Apartment to Buyer will be made subject to (and the Apartment Deed will so provide) restrictions on use and transfer of the Apartment pursuant to Sections 201E-221, 222, 223 and 224 of the Hawaii Revised Statutes, as amended (the "HFDC Restrictions") which provide, among other things, for a first option in favor of HFDC to purchase the Apartment for a period of 10 years in the event Buyer desires to transfer or lease the Apartment or in the event Buyer violates a covenant requiring Buyer to occupy the Apartment.

B. Shared Appreciation Equity Program. The transfer of the Apartment to Buyer will also be made subject to a shared appreciation equity program (the "SAE Program") under which HFDC, upon transfer of the Apartment by Buyer, would be entitled to a pro rata portion of the Apartment's appreciation in value.

C. Home Ownership Counseling. As an express condition for purchasing the Apartment each Buyer agrees to complete the Home Ownership Counseling Program sponsored by HFDC, as described in the Sales Agreement, prior to Closing. If Buyer fails to complete HFDC's Home Ownership Counseling Program, Buyer will be in default of the Sales Agreement,

and Seller, in addition to any other remedies available to it, will, at HFDC's direction, cancel the Sales Agreement, in which event all deposits and all interest thereon shall be retained by Seller. Any such cancellation shall be effective immediately upon delivery of written notice to Buyer.

10. An acknowledgement that there are certain conditions which may affect and impair the Buyer's enjoyment, use and value of the Apartment and the Project, and an agreement to indemnify and hold harmless the Seller and certain other parties for certain types of claims.

11. An agreement that the Seller has the right to make changes to the Condominium Map of the Project, plans and specifications for the Project, the Project Documents and all other documents and contracts relating to the Project, without further consents from Buyer or Buyer's Lender under certain circumstances.

12. An acknowledgement that pursuant to the Development Agreement, Seller is obligated to offer one hundred percent (100%) of the Apartments in the Project for sale as Lower Cost Housing Units in accordance with HFDC requirements.

13. An agreement that Buyer may inspect the Apartment before closing at a date set by Seller ("Inspection Date"), and that Buyer will sign a Punch List listing all defects or damage to the Apartment (if there are any). Also, an agreement that if Buyer fails to inspect the Apartment on the Inspection Date, Seller's representative is thereby appointed to inspect the Apartment and prepare a Punch List on behalf of Buyer.

14. A description of the warranties relating to the apartment (See Exhibit L).

EXHIBIT O

Summary of Escrow Agreement

The Escrow Agreement dated March 22, 1995, by and between Title Guaranty Escrow Services, Inc. and Watt Residential Partners, dba Watt Homes - Hawaii Division, includes the following provisions:

1. An agreement that upon the execution of any Sales Agreement, Seller shall deliver an executed original of such Sales Agreement to Escrow, together with buyer's initial deposit required to be deposited under the Sales Agreement.

2. An agreement that unless directed otherwise in writing by Seller and the buyer depositing any funds, Escrow will deposit all monies which it receives from buyers in a trust fund in any Hawaii federally insured bank, savings and loan or other financial institution which pays interest on deposits. If Escrow is requested to establish a separate account for any buyer, such buyer shall pay Escrow a reasonable fee for each such separate account. Any interest earned on buyer's funds deposited with Escrow shall accrue to the credit of Seller unless a buyer has requested and paid for such separate account.

3. An agreement that Escrow shall disburse all funds deposited with Escrow only in accordance with the provisions of the Escrow Agreement and the Sales Agreement; provided, however, that no disbursements shall be made from buyers' funds on behalf of the Seller until the Sales Agreements become binding, and the requirements of Section 514A-40 and 514A-63 of the Hawaii Revised Statutes, as amended, have been met.

4. An agreement that Escrow will (a) accept for processing the loan documents from any buyer's lender such as promissory note and mortgage; (b) upon request of any such lender, will arrange for the buyer to execute the same; (c) will accept funds representing the loan amount; and (d) will record all mortgage documents in accordance with such lender's instructions.

5. An agreement that subject to the deductions which are required to be made under the Sales Agreement and payment of the Escrow Cancellation Fee, Escrow will return the funds of any buyer, together with any accrued interest buyer is entitled to receive under the Sales Agreement, upon the occurrence of any one of the following:

(a) Seller notifies Escrow in writing that buyer has timely exercised the buyer's right to rescind or cancel the Sales Agreement in accordance with Section 514A-63 of the Hawaii Revised Statutes, as amended; or

(b) Seller notifies Escrow in writing that the buyer's Sales Agreement has been terminated or canceled pursuant to any right of termination or cancellation provided to buyer under the Sales Agreement; or

(c) Both Seller and buyer have requested Escrow in writing to return such funds.

6. An agreement that Escrow's compensation for services rendered under the Escrow Agreement is $250.00 for each apartment, payable upon Closing pursuant to each Sales Agreement.

7. An agreement that upon any buyer's rescission or cancellation of a Sales Agreement or upon Seller's termination of the Sales Agreement, Escrow shall be entitled to receive a fee ("Escrow Cancellation Fee") which is proportionate to the work and services provided by Escrow, but in no event in an amount more than $250.00.

8. Escrow will arrange for the issuance of a standard Hawaii owner's policy of title insurance, or a joint protection policy of title insurance if requested by buyer and buyer's lender covering each apartment, and its appurtenant undivided percentage common interest in the common elements of the Project. Buyer will pay the full cost of a standard Hawaii owner's policy of title insurance or the full cost of any joint protection policy of title insurance requested by buyer and buyer's lender.