

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Loreto Taroma Galdiano & Engracia Paraoan Galdiano and Melchor Taroma Galdiano & Dionisia Atuilan Galdiano as Trustees of that unrecorded Revocable Living Trust Agreement dated July 27, 1991. Address: 98-305 Kaluamoi Drive, Pearl City, HI 96782 Project Name(\*): 98-305 KALUAMOI DR. Address: 98-305 Kaluamoi Dr., Pearl City, HI 96782

Registration No. 3472 (Conversion)

Effective date: September 27, 1996 Expiration date: October 27, 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. [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 D       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:

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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 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: Loreto Taroma Galdiano & Engracia Paraoan Galdiano, h&w, and Melchor Taroma Galdiano & Dionisia Atuilan Galdiano, Phone: (808) 486-2834  
Name as Trustees of Revocable Living Trust dated (Business)  
98-305 Kaluamoi Dr. July 27, 1991.  
Business Address  
Pearl City, HI 96782

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

Not Applicable  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Real Estate Broker: None selected - See p.20 Phone: \_\_\_\_\_  
Name (Business)

Business Address  
\_\_\_\_\_

Escrow: Security Title Corporation Phone: (808) 521-9511  
Name (Business)

1001 Bishop St., 12th Floor  
Business Address  
Honolulu, HI 96813

General Contractor: \_\_\_\_\_ Phone: \_\_\_\_\_  
Name (Business)

Business Address  
\_\_\_\_\_

Condominium Managing Agent: Self-managed by Association Phone: \_\_\_\_\_  
Name of Apartment Owners (Business)

Business Address  
\_\_\_\_\_

Attorney for Developer: Arthur K. Nakagawa Phone: (808) 526-1511  
Name (Business)

Pacific Trade Center, Suite 1300  
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. 93-161377  
Book \_\_\_\_\_ Page \_\_\_\_\_  
 Filed - Land Court: Document No. \_\_\_\_\_

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]: Amendment to Declaration of Condominium Property Regime dated July 21, 1995 and recorded as Document No. 95-114861.

- 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. 1934  
 Filed - Land Court Condo Map No. \_\_\_\_\_

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

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

The Bylaws for this condominium are:

- Proposed  
 Recorded - Bureau of Conveyances: Document No. 93-161378  
Book \_\_\_\_\_ Page \_\_\_\_\_  
 Filed - Land Court: Document No. \_\_\_\_\_

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]: Amendment to By-laws of the Association of Apartment Owners of 98-305 Kaluamoi Drive dated July 21, 1995 and recorded as Document No. 95-114862. Second Amendment to By-laws dated June 21, 1946 and recorded as Document No. 96-104171.

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%*	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u>N/A</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:

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(s): \_\_\_\_\_

Lease Rent Payable:             Monthly                             Quarterly  
     Semi-Annually                     Annually

Exhibit \_\_\_\_\_ contains a schedule of the lease rent for each apartment per  Month     Year

For Subleaseholds:

Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:  
 Canceled     Foreclosed

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

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

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

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

Lease Term Expires: \_\_\_\_\_

Rent Renegotiation Date(s): \_\_\_\_\_

Lease Rent Payable:             Monthly                             Quarterly  
     Semi-Annually                     Annually

Exhibit \_\_\_\_\_ contains a schedule of the lease rent for each apartment per  Month     Year

[ ] Other:

**IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS**

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

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

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

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

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

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

**B. Underlying Land:**

Address: 98-305 Kaluamoi Drive Tax Map Key: (1) 9-8-21-88  
Pearl City, HI 96782 (TMK)

[ ] Address [ ] TMK is expected to change because No changes expected

Land Area: 7949 [ X ] square feet [ ] acre(s) Zoning: R-5

Loreto Taroma Galdiano & Engracia Paraoan Galdiano and Melchor Taroma Galdiano & Dionicia Atuilan Galdiano, Trustees under Revocable Living Trust dated

Fee Owner : July 27, 1991.

Name \_\_\_\_\_

98-305 Kaluamoi Drive

Address \_\_\_\_\_

Pearl City, HI 96782

Sublessor: Not Applicable

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: 1 Floors Per Building 2 (No basement)

Exhibit \_\_\_\_\_ contains further explanations.

3. Principal Construction Material:

Concrete             Hollow Tile                     Wood

Other \_\_\_\_\_

4. Permitted Uses by Zoning:

	<u>No. of</u>	<u>Use Permitted</u>		<u>No. of</u>	<u>Use Determined</u>
	<u>Apts.</u>	<u>By Zoning</u>		<u>Apts.</u>	<u>By Zoning</u>
<input checked="" type="checkbox"/> Residential	<u>2</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:

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 animals or pets permitted without prior written consent by Board.
- Number of Occupants: \_\_\_\_\_
- Other: No transient residential use is permitted as defined in the Declaration.
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: None      Stairways: A and B: 1      Trash Chutes: None

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Patio (sf)
<u>A</u>	<u>1</u>	<u>6/5</u>	<u>2,440</u>	<u>--</u>
<u>B</u>	<u>1</u>	<u>6/5</u>	<u>2,404</u>	<u>171</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 2

\*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 is bounded by the exposed surfaces of concrete slabe and the underside surface of roof sheathings within the areas bounded by the interior surfaces of all perimeter walls, interior surfaces of common partition walls between apartments or which separate any apartment from limited common elements as designated in the Declaration.

**Permitted Alterations to Apartments:** An apartment owner may do alteration work with the consent of the Board only as to work within such apartment or limited common element which is appurtenant to and for the exclusive use of such apartment. However, if any of such work shall directly affect the other apartment, then the consent of such other apartment owner shall be obtained. If any lien holder affecting the apartment on which the work is proposed to be done requires that its consent and approval be obtained, then consent must be obtained from such lien holder.

7. Parking Stalls:

Total Parking Stalls: 4

	<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 unit)	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Guest	<u>0</u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>0</u>
Unassigned	<u>0</u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Extra for Purchase	<u>0</u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Other:	<u>0</u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Total Covered & Open	<u>4</u>	<u>    </u>	<u>0</u>	<u>    </u>	<u>0</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

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):

Developer/Owner reside at the Project and make no warranty as to any useful life which may be expected of the structural components, mechanical and/or electrical installations to any purchaser in the future. A future purchaser, if any, shall make his own determination of the structural integrity and whether the mechanical and electrical installations are in good, working order.

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	_____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:

described in Exhibit A.

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit  B .

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:

described in Exhibit  B .

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  C  describes the encumbrances against the title contained in the title report dated  October 30, 1995  and issued by  First Hawaii Title Corporation.

Blanket Liens:

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

- [ ] 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>
Mortgages	Buyer's interest may be terminated by mortgagee but Buyer shall be entitled to return of his deposit less Escrow cancellation fees.

F. Construction Warranties:

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

1. Building and Other Improvements:

Developer makes no warranties of any kind as to the integrity of either the building and/or other improvements.

2. Appliances:

Developer makes no warranties of any kind as to condition of any appliance.

G. Status of Construction and Estimated Completion Date:

Unit A and Unit B were completed in 1977.

H. Project Phases:

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

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



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 F contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated July 21, 1995  
Exhibit G 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, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended.
- D) House Rules. (None)
- 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. 3472 filed with the Real Estate Commission on 9/8/95.

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

yellow paper stock                       white paper stock                       pink paper stock

**C. Additional Information Not Covered Above**

Disclosure re: Selection of Real Estate Broker

This public report shall not bind a purchaser to the sale of any apartment until **(1)** the Developers first submit to the Real Estate Commission a duly executed disclosure abstract identifying the designated sales agent, and a duly executed copy of a broker listing agreement with a Hawaii-licensed real estate broker, and **(2)** gives a copy of said disclosure abstract to the purchaser together with a copy of the Public Report.

If the Developer(s), as the owners, choose to represent themselves in the sale of an apartment, said abstract need not be given to the purchaser, as all necessary disclosure are covered in this report.

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.

Loreto Taroma Galdiano & Engracia Paraoan Galdiano,  
H & W, and Melchor Taroma Galdiano and Dionisia Atuilan Galdiano, as Trustees of that unrecorde Revocable Living Trust Agreement dated July 27, 1991.

Name of Developer

By: Melchor Taroma Galdiano  
Dionisia Atuilan Galdiano  
Loreto Taroma Galdiano  
Engracia Paraoan Galdiano  
Duly Authorized Signatory

6-21-96  
Date

OWNERS: Loreto Taroma Galdiano  
Engracia Paraoan Galdiano  
Melchor Taroma Galdiano, Trustee  
Dionisia Atuilan Galdiano, Trustee  
print name & Title of person signing above

**Distribution:**

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

EXHIBIT "A"

COMMON ELEMENTS

98-305 Kaluamoi Dr.  
Pearl City, HI 96782

COMMON ELEMENTS. One fee simple estate is hereby designated in all of the remaining portions and appurtenances of the Project, herein called the "common elements", including specifically but not limited to:

1. Said land in fee simple;
2. All yards, grounds, landscaping, fencing and other appurtenances;
3. All driveways and parking areas;
4. All walkways, stairs, recreation areas, all foundations, columns, girders, beams, floor slabs, roofs, supports, unfinished exterior walls, reinforced concrete slabs, bearing walls (except for the inner decorated surfaces within each apartment) and walls which are common to two or more apartments.
5. All ducts, sewer lines, electrical equipment, pipes, wiring and other central and appurtenant transmission facilities, and installations which are used by more than one apartment for services such as power, light, water, gas, refuse, telephone and radio and television signal distribution.
6. 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 "B"

LIMITED COMMON ELEMENTS

98-305 Kaluamoi Dr.  
Pearl City, HI 96782

LIMITED COMMON ELEMENTS AND PERCENTAGES OF COMMON  
INTEREST

Certain parts of the common elements, hereinafter called and designated "LIMITED COMMON ELEMENTS", are hereby set aside and reserved for the exclusive use of certain apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements.

The limited common elements so set aside and reserved are:

1. The respective entry of each apartment shall be appurtenant to each of the apartments served thereby.
2. The mailbox which has been reserved to and designated for use by each of the respective apartments shall be appurtenant to each such apartment.
3. All lanais which extend out from and immediately abut the various apartments shall be appurtenant to each such apartment.
4. The sole and exclusive right to use the two parking spaces of the two car carport abutting each unit, as shown and delineated on the Condominium Map filed at the Bureau of Con-

veyances, State of Hawaii, which are hereby designated to be appurtenant to and reserved for the exclusive use of each such apartment.

Each Apartment unit shall have an undivided percentage of common interest and at least said two parking stalls, as a limited common element appurtenant to such unit for its sole and exclusive use, as shown and designated on said Condominium Map.

COMMON INTEREST. Each apartment shall have appurtenant thereto an undivided percentage ownership interest in and to the land and in all common elements of the Project (herein called the "common interest" and the same proportionate share in all common profits and expenses of the Project and for all other purposes, including voting. The percentage of undivided ownership interest for each apartment shall be one-half or 50 percent.

EXHIBIT "C"

ENCUMBRANCES ON TITLE

98-305 Kaluamoi Dr.  
Pearl City, HI 96782

1. For real property taxes that may be due and owing, reference is made to the Office of the Tax Assessor, City and County of Honolulu. TMK: (1) 9-8-021:088.
  
2. Reservation of all minerals and metallic mines in favor of the State of Hawaii.
  
3. Information AS TO APARTMENT UNIT A (as designated and delineated on the Condominium Map but referred to as Parcel B in the Title Report issued by First Hawaii Title Corporation):
  - (a) EASEMENT 6 (10 foot wide) for drainage purposes, over and across Lot 14, as delineated on File Plan No. 1493.
  
  - (b) GRANT  
In favor of CITY AND COUNTY OF HONOLULU, a municipal corporation.  
Dated: July 21, 1979  
Book: 16431 at Page 403  
Purpose: Granting an easement for drainage system purposes, over and across Easement 6.

(c) MORTGAGE  
Mortgagor: MELCHOR TAROMA GALDIANO, husband of  
Dionisia Atwilan Galdiano, and LORETO  
TAROMA GALDIANO, wife of Engracia  
Paraoan Galdiano.  
Mortgagee: TERRITORIAL SAVINGS AND LOAN  
ASSOCIATION, a Hawaii corporation.  
Dated: June 24, 1977  
Recorded: June 30, 1977  
Book: 12298  
Page: 569

(d) MORTGAGE  
Mortgagor: MELCHOR TAROMA GALDIANO and DIONISIA  
ATUILAN GALDIANO, husband and wife.  
Mortgagee: FIRST FEDERAL SAVINGS AND LOAN  
ASSOCIATION OF AMERICA, a federally  
chartered savings and loan association  
Dated: June 3, 1991  
Recorded: June 13, 1991  
Document No.: 91-076086

(e) Covenants and conditions as contained in AFFIDAVIT  
dated September 20, 1984 and recorded in the Bureau of Convey-  
ances, State of Hawaii, in Book 18159 at Page 523, regarding  
Building Permit.

(f) Covenants and conditions as contained in AFFIDAVIT  
dated July 23, 1985 and recorded in the Bureau of Conveyances,  
State of Hawaii, in Book 18805, at Page 515, regarding Build-  
ing Permit.

(g) The terms, provisions, conditions and restrictions,  
if any, contained in that certain unrecorded Revocable Living  
Trust Agreement dated July 27, 1991, to which reference is  
hereby made.

4. Information AS TO APARTMENT UNIT B (as designated on the  
Condominium Map but referred to as Parcel A in the Title  
Report issued by First Hawaii Title Corporation):

(a) MORTGAGE  
Mortgagor: MELCHOR TAROMA GALDIANO, husband of  
Dionisia Atwilan Galdiano, and LORETO  
TAROMA GALDIANO, wife of Engracia  
Paraoan Galdiano.  
Mortgagee: TERRITORIAL SAVINGS AND LOAN  
ASSOCIATION, a Hawaii corporation.  
Dated: June 24, 1977  
Recorded: June 30, 1977  
Book: 12298  
Page: 556

(b) SECOND MORTGAGE  
Mortgagor: LORETO TAROMA GALDIANO and ENGRACIA  
PARAOAN GALDIANO, husband and wife.  
Mortgagee: HAWAII NATIONAL BANK, a national  
banking association.  
Dated: November 14, 1984  
Recorded: November 19, 1984  
Book: 18275  
Page: 83

5. As to both Apartment Unit A and Apartment Unit B,  
subject to the following:

(a) The covenants, agreements, obligations, conditions, ease-  
ments and other provisions as contained in the following:

DECLARATION OF CONDOMINIUM PROPERTY REGIME OF "98-305  
KALUAMOI DR.", dated April 30, 1993 and recorded in  
the Bureau of Conveyances, State of Hawaii, as Docu-  
ment No. 93-161377 and

Condominium Map No. 1934, to which reference is  
hereby made.

(b) By-laws of the Association of Apartment Owners of 98-305  
Kaluamoi Dr., dated May 7, 1993 recorded in the Bureau of  
Conveyances, aforesaid, as Document No. 93-161378.

EXHIBIT D

DISCLOSURE ABSTRACT

Date: July 27, 1993

PROJECT: 98-305 KALUAMOI  
Pearl City, Hawaii 96782

DEVELOPER: Loreto Taroma Galdiano and Engracia Paraoan  
Galdiano, husband and wife, and Melchor  
Taroma Galdiano, husband of Dionisia Atuilan  
Galdiano, and Dionisia Atuilan Galdiano,  
wife of Melchor Taroma Galdiano, as Trustees  
under that unrecorded Revocable Living Trust  
Agreement dated July 27, 1991, with full  
power to sell, convey, exchange, mortgage,  
lease, etc.  
980-305 Kaluamoi  
Pearl City, Hawaii 96782

Developer's Agent: Arthur K. Nakagawa,  
Attorney at law  
Pacific Tower, Suite 925  
Honolulu, Hawaii 96813  
Tel: 526-1511

MAINTENANCE FEES: 98-305 Kaluamoi is a fee simple condominium development consisting of two freehold estates contained in a detached, two family residential structure. The structure is an existing structure which has been extensively renovated. The project, therefore, is a conversion of an existing structure which has been submitted to the provisions of the Condominium Property Regime, being Chapter 514A, HRS, as amended.

There are no improvements to be completed by the Developer.

The structure is constructed of hollow tile walls on the ground floor with a concrete slab on grade. The upper floor is of double wall construction. The existing structure is serviced by an existing paved drive and appurtenant parking areas. The dwellings and the paved driveway and parking areas are presently in good condition and are not expected to require substantial repair and/or replacement in the foreseeable long term. Further, the owners are to maintain and keep their respective apartment units and the common elements appurtenant to their units in good repair. Utilities are separately metered.

The individuals identified as "Developer" are related to each other by blood and marriage and occupy the two units of the Project as their respective homes. There is an existing property insurance policy on the structure, but no

quote for future coverage is available, and in the event that either or both of the units should be sold to an unrelated party, a written quote for insurance coverage shall be given to such buyer upon receipt from an insurance carrier.

All costs of every kind pertaining to each apartment and its respective limited common element, including but not limited to, cost of landscaping, maintenance, repair, replacement and improvement shall be borne entirely by the respective apartment owner.

Accordingly, no provisions for maintenance costs are provided.

ACCESS TO PUBLIC WAY: Each apartment has direct access to the public way over their respective paved driveway appurtenant to each unit. The driveway is to be maintained by the respective apartment owner.

WARRANTIES: The Developer makes no warranties of any kind as to the structure against defective work and materials. Warranties on appliances, if any and as applicable, will be those of the manufacturer's, which will be delivered to Buyer at the time of occupancy if any is applicable. A sale, if any is made, shall be for all improvements "as is".

USE OF PROPERTY: The Development is for residential use only, and no commercial or other non-residential uses will be permitted.

Loreto Taroma Galdiano  
LORETO TAROMA GALDIANO

Engracia P. Galdiano  
ENGRACIA PARAOAN GALDIANO

Melchor Taroma Galdiano, Trustee  
MELCHOR TAROMA GALDIANO, Trustee  
under that unrecorded Revocable  
Living Trust Agreement dated  
July 27, 1991

DIONISIA Dionisia Atuilan Galdiano Trustee  
DIONISIA ATUILAN GALDIANO,  
Trustee under that unrecorded  
Revocable Living Trust Agreement  
dated July 27, 1991.

Subscribed and sworn to before me  
this 13<sup>th</sup> day of August, 1993.

Rosaline Akhenger  
Notary Public, State of Hawaii

My commission expires: 8-15-95

EXHIBIT   E  

ESTIMATE OF INITIAL MAINTENANCE FEES  
AND  
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee x 12 months =</u>	<u>Yearly Total</u>
A	0	0
B	0	0

Note: There is no sale(s) contemplated by Developers who are related by blood and marriage and reside on the premises.

Insurance is carried individually and no estimate has been received for a single policy. At such time that a sale is contemplated, an insurance premium estimate will be provided to the then buyer.

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



EXHIBIT F

SALES AGREEMENT SUMMARY

98-305 KALUAMOI DRIVE  
98-305 Kaluamoi Drive  
Honolulu, Hawaii 96782

1. CONDITIONS OF SALE. Buyer understands and agrees:

(a) From the time of the first publication of the Pre-Sale Notice to Owner Occupants is first published until ten (10) days after the issuance of the Final Public Report by the Real Estate Commission, all sales must be made to "owner occupants".

(b) Buyer agrees to sign an Affidavit of Intent to be such an owner occupant.

(c) It is a violation of law if a false statement is made in the Affidavit of Intent. But no false statement of intent is made if circumstances, such as serious illness of the individual making the statement or of a member of that individual's family, job or military transfer, unforeseeable change in marital status, or the birth of a child, after the execution of the affidavit causes the person making the affidavit to be unable to occupy the residential unit.

(d) Seller reserves the right to ask Buyer for other information and Buyer agrees to cooperate with Seller in providing any such information and to sign such other documents as will assure Seller that Buyer is an "owner occupant" as defined in the Condominium Property Regime and the Condominium Property Act.

(e) No offer for sale will be made by the Developer (and no executed sales contract will be binding) unless and until the Real Estate Commission has issued a Final Public Report, Buyer has had a chance to read it after signing a receipt acknowledging that Buyer has received a copy of such Final Public Report (or under certain circumstances where there is no receipt the Buyer may be considered to have received a copy.) The Buyer should be aware then, that signing of a sales agreement before the issuance of a Final Public Report does not assure Buyer will be able to purchase the unit reserved, at any price. A sales agreement signed before the Final Public Report is issued is only a "reservation," and can be cancelled by either Buyer or Seller at any time. If a reservation is cancelled or terminated, Buyer's money shall be refunded, less the escrow cancellation fee of two hundred fifty dollars (\$250.00).

(f) Seller reserves the right to amend the Declaration of Condominium Property Regime and By-laws filed in the Bureau of Conveyances for the State of Hawaii without Buyer's consent before the Final Public Report is issued in order to make amendments to conform to the Condominium Property Act and the requirements of registration for the Project if such changes are minor and do not affect the value or common interest of the unit, or the purchase price, or substantially impair or reduce the obligations of Seller to pay for common expenses on unsold apartments. If the changes are material or substantial or requires physical modification of the residential structures, then Buyer will be given notice of such changes, together with a rescission and waiver of rescission form, and will be given a right to rescind the sales contract or to waive any right to rescission. In the event Buyer decides to rescind, then Buyer must sign the rescission form and return it to Seller and all of Buyer's monies will be refunded in full without interest.

2. RISK OF LOSS. Risk of loss to the apartment and other improvements shall be borne by the Seller until the date of closing or the date that Buyer occupies the apartment, whichever occurs first, and thereafter Buyer assumes the risk of loss.

3. BUYER'S FINANCING. This sale is conditioned upon Buyer obtaining adequate financing, or a commitment for such, within forty-five (45) calendar days after the 10 day period in which sales are restricted to owner occupants has expired. If Buyer fails to obtain this financing or a commitment or the application is rejected, then this sales agreement is cancelled.

Buyer may go to the financial institution of his choice. Buyer agrees to apply for a mortgage within five (5) business days after this Sales Agreement is accepted by Seller. Further, Buyer agrees to notify Seller promptly of the date of application for the mortgage and the name of the financial institution to which such application was made. Buyer shall also notify Seller promptly of actions taken by said financial institution on the application, whether such application was approved or disapproved.

4. PRORATION OF TAXES, RENTS, ASSESSMENTS, etc. All real property taxes, monthly maintenance fee, assessments and other charges of every kind and nature against the aforesaid apartment shall be borne by Seller prior to the occupancy date and/or closing date, whichever shall first occur, and thereafter Buyer shall bear all of such costs, taxes, assessments and charges in accordance with the provisions of the Declaration and By-laws aforesaid.

5. BUYER'S ACKNOWLEDGEMENT. Buyer acknowledges and agrees that:

(a) Buyer has examined the Declaration of Condominium Property Regime, By-laws of the Association of Apartment Owners of the Project, the Escrow Agreement and the plans for the Project, all of which have been filed at the Office of the Real Estate Commission for the State of Hawaii. Buyer approves of the foregoing and agrees to be bound by the terms, covenants, and restrictions contained therein.

(b) Neither Seller nor any of Seller's representatives has made any representation or reference as to rental of the apartment, income from the apartment or any other economic factor or benefit to be derived from the rental of the apartment, including but not limited to, any reference or representation to the effect that Seller will provide, directly or indirectly, any services to Buyer relating to the rental or sale of the apartment. It is understood and agreed by Buyer that rental or other disposition of the apartment, if any, and the providing of management services in connection therewith is and shall be the sole responsibility of the Buyer.

Seller reserves the right, as a requirement for closing, to require Buyer, the sales person and anyone else who may have been connected with this offer to sell and the sale of the apartment to buyer to sign additional documents to assure Seller that no violation of the securities laws have occurred.

6. ASSIGNMENT. Buyer shall not assign or convey in any manner this Sales Agreement or any of Buyer's rights therein, whether in whole or in part, without the prior written consent of the Seller. Consent shall be given or withheld in the sole discretion of Seller and may be arbitrarily withheld.

7. SELLER'S WARRANTIES. Seller warrants the materials and workmanship of the Apartments against defects for a period of one year commencing from the closing date of this transaction. Defects shall mean those items reasonably requiring repair or restoration or renovation or replacement of the components constituting the apartment, reasonable wear and tear excepted.

Warranties on appliances and other manufactured items, if any, shall be manufacturer's warranties which would normally be expected to be issued by the various manufacturers. All applicable warranties will be left with Buyer at the time of occupancy.

8. SELLER'S CANCELLATION. Seller has the right to cancel this Sales Agreement if Buyer's loan application for a mortgage is not approved by the financial institution within the 45 days period described above or if Buyer informs Seller

that Buyer will not be an "owner occupant" or that Buyer wish to cancel because of hardship.

9. SELLER'S LENDERS. Seller has given or may give to one or more lenders, a mortgage(s), security agreement(s) and other instruments to secure repayment of loan(s) covering Seller's interests in the development (including the individual apartments). All of these lenders will have priority over Buyer's rights and interest under this Sales Agreement. Buyer agrees to subordinate their interests and rights under this Sales Agreement to Seller's lenders until the date of closing and delivery of signed instruments conveying the apartment to Buyer.

Any apartment deed conveying the property to Buyer will, however, convey the apartment free and clear of any encumbrance(s) from Seller's lenders or a release of Buyer's apartment from such encumbrance(s) will be executed by Seller's lenders and recorded in the Bureau of Conveyances.

EXHIBIT G

ESCROW AGREEMENT SUMMARY

98-305 KALUAMOI DRIVE  
98-305 Kaluamoi Drive  
Honolulu, Hawaii 96782

The following is a summary of the Escrow Agreement entered into by the Developer ("Seller") and SECURITY TITLE CORPORATION (Escrow) whose business address is PACIFIC TRADE CENTER, 12th Floor, 1001 Bishop Street, Honolulu, HI 96813. The buyer is urged to review the Escrow Agreement itself which is on file with the Real Estate Commission of the State of Hawaii.

1. The Seller shall deliver all funds received from a buyer promptly upon its receipt to Escrow together with a copy of the sales contract.

2. Escrow shall deposit all funds received from the Seller into a special, interest bearing account and all interests accruing on these funds shall be credited to the Seller.

3. Seller shall give written notice to Escrow whenever payments from a buyer(s) are due under a sales contract, Escrow shall then give written notice to each buyer under such a sales contract that payments are to be made to Escrow.

4. Upon prior approval of Seller's mortgagee, disbursements from escrow funds (including Buyer's funds) shall be made by Escrow to pay for (a) construction costs in proportion to the valuation of the work completed by the contractor on the residential unit(s) constructed on the land, as certified by a registered architect or professional engineer, and (b) architectural, engineering, finance and legal fees and other incidental expenses upon submission of bills for disbursements to the extent approved by Seller's mortgagee. The balance of the monies remaining in Escrow shall be disbursed in accordance with the direction of Seller only upon completion of the units and only upon Escrow receiving satisfactory evidence that all mechanics' and materialmen's liens have been cleared or sufficient funds have been set aside to cover claims, if liens have been filed and further, that forty-six (46) days have elapsed after a copy of the Affidavit of Publication of a Notice of Completion has been given to Escrow; EXCEPT, HOWEVER, THAT NO disbursements shall be made by Escrow until (a) the Real Estate Commission has put out a Final Public Report for the Project; (b) Buyer has been given a copy of the Final Public Report and a copy of the receipt and Notice or Right to Cancel in the form required by Section 514 A-62, HRS, as amended, and (c) the Seller's attorney has let Escrow know in writing that all of the requirements of said Section 514A-62 and 63 have been met.

5. If at any time Seller shall certify in writing to Escrow that a buyer, whose funds are being held hereunder by Escrow, has defaulted under the terms of his sales contract and that Developer (Seller) has terminated said sales contract pursuant to the terms thereof, Escrow shall notify said buyer by registered mail of such default and shall thereafter treat all funds which Buyer may have paid into Escrow, less Escrow's cancellation fee of \$250, as the escrowed funds belonging to Seller and not as funds belonging to Buyer.

6. Escrow shall arrange for and supervise the signing of all documents relating to the development and which are to be signed by Purchaser and Seller in accordance with the terms of the sales contract in order to convey the subject apartment of the sales contract to Purchaser.

7. Escrow is entitled to a cancellation fee of \$250 whenever an escrow is cancelled for any reason. This cancellation fee is to be paid by Purchaser.

8. The Escrow Agreement may be terminated by either Escrow or Seller upon giving 15 days written notice to the other party. However, any sale pending in Escrow at the time of such termination shall be completed under the terms of the Escrow Agreement.

9. Buyer and Seller agree, jointly and severally, to pay to Escrow on demand and to indemnify and hold Escrow harmless from and against all costs, damages, judgments, attorney's fees, expenses, obligations and liabilities of every kind and nature reasonably suffered or incurred in connection with or arising out of this escrow, including but not limited to all costs and expenses incurred for interpretation of these instructions, or with respect to any interpleader proceeding; and further, Buyer and Seller agree that any sums which may be payable to Escrow may be deducted from the monies held hereunder before any payment thereof.