

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report as Exhibit F 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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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: LOUIS A. CARNAZZO and
MARY C. CARNAZZO Phone: (808) 532-0222
Name (Business)
705 Mililani Street, Suite 705
Business Address
Honolulu, Hawaii 96813

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

Real Estate
Broker: PACIFIC BASIN PROPERTIES Phone: (808) 526-1526
Name (Business)
1001 Bishop St., 1300 Pauahi Tower
Business Address
Honolulu, Hawaii 96813

Escrow: FIDELITY ESCROW SERVICES, INC. Phone: (808) 537-6799
Name (Business)
700 Bishop St., Suite 1015
Business Address
Honolulu, Hawaii 96813

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

Business Address

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

Business Address

Attorney for
Developer: ROBERT Y. NAKAMOTO, JR. Phone: (808) 537-6119
Name (Business)
1001 Bishop St., 2500 Pauahi Tower
Business Address
Honolulu, Hawaii 96813

**II. CREATION OF THE CONDOMINIUM;
CONDOMINIUM DOCUMENTS**

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

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

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances: Document No. _____
Book _____ Page _____
 Filed - Land Court: Document No. 2292684

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]:

- B. Condominium Map (File Plan) shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. _____
 Filed - Land Court Condo Map No. 1143

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

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

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances: Document No. _____
Book _____ Page _____
 Filed - Land Court: Document No. 2292685

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]:

D. House Rules. The Board of Directors may adopt House Rules to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the developer.

The House Rules for this condominium are:

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>By Board</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 payment 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: 1853 and 1853A Kaikunane Loop Tax Map Key: (1) 1-6-027-011
Honolulu, Hawaii 96817 (TMK)

Address TMK is expected to change because Developer wishes to make the addresses
match the identifying units (i.e. A and B)

Land Area: 8404 square feet acre(s) Zoning: R-5

Fee Owner : Louis A. Carnazzo and Mary C. Carnazzo
 Name
c/o 888 Mililani Street, Suite 705
 Address
Honolulu, Hawaii 96813

Sublessor:
 Name
 Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 1 Floors Per Building 1

Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other _____

4. Permitted Uses by Zoning:

	No. of <u>Apts.</u>	Use Permitted <u>By Zoning</u>		No. of <u>Apts.</u>	Use Determined <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. Restriction for this condominium project include but are not limited to:

[X] Pets: Limited to 2, dogs no more than 40 lbs.

[X] Number of Occupants: 6 per three bedroom apartment.

[X] Other: See House Rules.

[] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: N/A Stairways: 2 Trash Chutes: N/A

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
<u>1853 A</u>	<u>1</u>	<u>3/1</u>	<u>806</u>	<u>338</u>
<u>1853 B</u>	<u>1</u>	<u>3/1</u>	<u>806</u>	<u>338</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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 separated by a straight boundary line, as shown on condominium map, which run from the rear of the property through the interior wall of the two apartments to the front of the property.

Permitted Alterations to Apartments: All alterations to common elements must be approved by the Board of Directors. Alterations to interior of apartment are allowed provided said alteration does not affect any common element.

7. Parking Stalls:

Total Parking Stalls: 2

	<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>1</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>2</u>
Guest Unassigned	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Extra for Purchase	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other:	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Covered & Open	<u>2</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 1 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):

See page 12a.

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):

Structural components are satisfactory, there are no visible or known problems. It is recommended that termite treatments are part of the normal maintenance. Said structural components are footing, walls, joists, beams, etc.

Mechanical items are plumbing. All items are in good working order including fixtures, pipes, water heater and sewer lines.

Electrical components and fixtures are in good operating condition. It was observed to be in acceptable working condition with no deficiencies.

Expected useful life:

Structural elements and components: Estimated 40 years
(with proper maintenance)

Mechanical items: Estimated 40 years
(with proper maintenance)

Electrical items: Estimated 40 years
(with proper maintenance)

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

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

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

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u> X </u>	<u> </u>	<u> </u>
Structures	<u> X </u>	<u> </u>	<u> </u>
Lot	<u> X </u>	<u> </u>	<u> </u>

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

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

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot. (See page 20)

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 _____.

as follows: Apartment 1853A has an undivided FIFTY (50) percent fractional interest.
Apartment 1853B has an undivided FIFTY (50) percent fractional interest.

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 April 19, 1996 and issued by Old Republic Title Corporation of Hawaii, Ltd. .

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>
Agreement of Sale*	None, lien to be released upon sale of Apartment.
Mortgages	Buyer's interest may be terminated by mortgagee but Buyer may be entitled to return of 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: none.

2. Appliances: none.

* The vendors under the Agreement of Sale also have signed the Declaration and By-Laws and have transferred their ownership interest in the two apartments of the Developers.

G. Status of Construction and Estimated Completion Date:

Apartment 1853A and 1853B was constructed and completed in 1962.

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):

IV. CONDOMINIUM MANAGEMENT

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

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

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

- not affiliated with the Developer
- self-managed by the Association of Apartment Owners
- the Developer or the Developer's affiliate
- other _____

B. Estimate of Initial Maintenance Fees:

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

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

C. Utility Charges for Apartments:

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

- None
- Sewer
- Electricity
- Television Cable
- Gas
- Other _____
- Water

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 D contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated February 16, 1996 as amended on July 22, 1996

Exhibit E contains a summary of the pertinent provisions of the escrow agreement.

[] Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

A) The Developer delivers to the buyer a copy of:

1) Either the Final Public Report OR the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission;

AND

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

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

C) One of the following has occurred:

1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or

2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or

3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime.
 - C) Bylaws of the Association of Apartment Owners.
 - D) House Rules.
 - E) Condominium Map.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107, are available at the Cashier's Office, Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P. O. Box 541, Honolulu, HI 96809, at a nominal cost.

This Public Report is a part of Registration No. 3551 filed with the Real Estate Commission on 5/6/96

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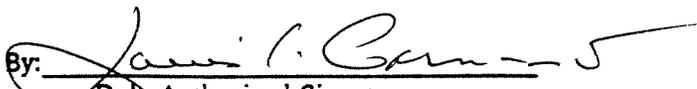
C. Additional Information Not Covered Above

The Building Department, City and County of Honolulu, in a letter dated April 15, 1996, reported that the number of off-street parking spaces and the building front setback, which is less than 10 feet, are considered non-conforming. If the project is destroyed to an extent of more than 50% of its replacement cost, there is no assurance that the City will allow the project to be reconstructed without complying with existing code requirements.

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.

LOUIS A. CARNAZZO & MARY C. CARNAZZO

Name of Developer

By: 
Duly Authorized Signatory

7/29/96
Date

LOUIS A. CARNAZZO

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"
SUMMARY OF THE COMMON ELEMENTS

COMMON ELEMENTS:

Article III, Paragraph 2 of the Declaration of Condominium Property Regime designates certain portions of the Project as "common elements", including specifically but not limited to the following:

- (a) The Land in fee simple;
- (b) All foundations, beams, floors, slabs, supports, perimeter walls, party walls, floors and ceilings (except for the decorated or finished interior surfaces of such perimeter walls, party walls, floors and ceilings within each apartment space and except as expressly provided otherwise), and roof and stairway of the structure;
- (c) All areas, structures or facilities of the Project, within or outside of the structure, which are for common use or which serve both apartment spaces, such as yards, storage areas, fences, retaining walls, refuse collection areas, planting areas, planters, walkways, walkway railings, landscaping, gardens, and all other facilities and appurtenances;
- (d) All roads, driveways, driveway ramps, carports and parking areas;
- (e) All installations serving both apartment spaces for power, light, gas, water, ventilation, air conditioning, sewer, refuse, telephone, radio and cable or television signal distributions and all pipes, wires, conduits, ducts, vents, shafts, sewer lines and other service utility lines, which serve both apartment spaces;
- (f) Any and all apparatus and installations existing for common use, such as tanks, pumps, motors, fans, compressors and, in general, all other installations and apparatus existing for common use;
- (g) All mechanical and electrical equipment originally installed and located within any apartment or located elsewhere in the Project utilized for or serving more than one apartment; and
- (h) All other parts of the Project or the structure which are not included in the definition of an apartment space.

EXHIBIT "B"
SUMMARY OF THE LIMITED COMMON ELEMENTS

LIMITED COMMON ELEMENTS:

Article III, Paragraph 3 of the Declaration of Condominium Property Regime designates:

Certain portions of the common elements are hereby designated as "limited common elements" and are set aside and reserved for the use of either apartment space, of which said apartment space shall have appurtenant thereto an exclusive easement for the use of such limited common elements. The limited common elements so set aside and so reserved are as follows:

(a) Apartment 1853A. The site on which Apartment 1853A is located, consisting of the land beneath and the portion of the Land immediately adjacent to Apartment 1853A, as shown and delineated on the Condominium Map as "Apartment 1853A", together with the airspace above such site is for the exclusive benefit of Apartment 1853A.

(b) Apartment 1853B. The site on which Apartment 1853B is located, consisting of the land beneath and the portion of the Land immediately adjacent to Apartment 1853B, as shown and delineated on the Condominium Map as "Apartment 1853B", together with the airspace above such site is for the exclusive benefit of Apartment 1853B.

(c) Carport. The one (1) car open carport located directly beneath the said apartment space shall be for the exclusive use of the Owner of the said apartment space. The apartment space owner shall not have any right to change the assignment of the carport or sell, transfer or assign the carport. However, nothing in this Article shall prohibit any apartment space owner from leasing or renting the carport.

(d) Driveway. Each Apartment space shall the exclusive use of the driveway adjacent to the Apartment space's carport providing access of said carport to Kaikunane Loop. Each Apartment space's exclusive easement to use the driveway is divided by a straight line running from the hollow tile wall separating the two carports to Kaikunane Loop, as shown and delineated on the Condominium Map.

(e) Mailboxes. The mailbox assigned to an apartment space shall be limited to the use of such apartment space. Each residential apartment space shall at all times have at least one mailbox appurtenant to it.

(f) Private Yard. The private yard adjoining each apartment space located on each half of the property located to each side of the driveway and continues around the structure to the rear of the property shall be for the exclusive use of each respective apartment space to which such private yard area adjoins, as shown and delineated on the Condominium Map.

(g) Apartment Air Conditioning Unit. Each of the apartment space shall have the right to install an air conditioning unit in any window or perimeter wall provided that said apartment space shall be liable to repair the space to its original condition upon removal of such unit.

(h) Other. All other common elements of the Project which are rationally related to less than all of the apartment spaces shall be limited to the use of such apartment space or apartment spaces to which the same are related.

EXHIBIT "C"
SUMMARY OF ENCUMBRANCES AGAINST TITLE

ENCUMBRANCES AGAINST TITLE:

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.
2. Declaration of Protective Provisions dated February 24, 1981, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 1056655.
3. Easement 49 (10 feet wide) as shown on Map 131 as set forth by Land Court Order No., 18310, filed August 16, 1960.
4. Grant of Easement in favor of Hawaii Electric Company, Inc. and GTE Hawaiian Telephone Company, Inc., dated April 25, 1960, over said Easement 49, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 2612788.
5. A 10 foot building set back line as shown on the map attached to that certain instrument dated August 1, 1960, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 264372.
6. That certain Mortgage in favor of Bank of Hawaii, a Hawaii corporation, dated June 1, 1992, and filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 1919444.
7. That certain Mortgage in favor of Bank of Hawaii, a Hawaii corporation, dated June 1, 1992, and filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 1919444.
8. Condominium Map No. 1143, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.
9. Covenants, conditions, restrictions, reservations, agreements, obligations, provisions, easements and by-laws set forth in the Declaration of Condominium Property Regime dated February 28, 1996, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, as Document No. 2292684.
10. By-Laws of the Association of Apartment Owners of 1853 Kaikunane Loop Conversion, dated February 28, 1996, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 2292685.

11. Terms, provisions and conditions as contained in the original Apartment Deed and the effect of any failure to comply with such terms, provisions and conditions.

12. Any and all easements encumbering the apartment herein mentioned, and/or the common interest appurtenant thereto, as created by or mentioned in said Declaration, as said Declaration may be amended from time to time in accordance with the law and/or in the original Condominium Conveyance Document, and/or as delineated on said Condominium Map.

13. Terms, provisions, conditions, covenants and reservations as contained in that certain Joint Venture Agreement dated March 29, 1996, effective dated December 5, 1995, as Document No. 96-046546 herein referred to and the effect of any failure to comply with such terms, provisions and conditions. (Not noted on Transfer Certificate of Title.)

14. Any claim of invalidity in the description of the apartment spaces being designated as "Apartment No. A" and "Apartment No. B" in the Apartment Deeds described in Exhibit "A" referred to herein by reason of the fact that the Declaration of Condominium Property Regime of "1853 Kaikunane Loop Conversion" cites the correct apartment space number as Apartment 1853A and 1953B.

NOTE: In connection therewith, this Company will require that a petition be filed with the Assistant Registrar of the Land Court of the State of Hawaii clarifying the correct apartment space numbers as Apartment 1953A and 1853B.

EXHIBIT "D"

SUMMARY OF THE PROVISIONS OF THE DROA

(Consisting of Standard DROA form and Special Provision Addendum to the "DROA")

1. Description of the Property to be Conveyed. Fee simple title to the Apartment, together with the furnishing and appliances and an undivided interest in the common elements.

2. Purchase Price and Terms. The purchase price set forth in Section C-1 of the DROA is to be paid as follows:
 - a. An initial deposit;
 - b. The balance of the purchase price is to be paid to escrow by purchaser before closing.

3. Financing of Purchase. Paragraph C-25 of the DROA provides if Buyer desires financing, a completed loan application package must be made within ten (10) days and Buyer must deliver to Seller a loan prequalification letter from the Lender within ten (10) days after the application, and if the Buyer's application is not approved within forty-five (45) days after the application, then either Seller or Buyer may cancel the DROA. Upon such cancellation, Buyer's deposit will be refunded by escrow without interest.

4. Purchase Contingent upon Sale of Other Real Property. As provided in Paragraph 1 of the Special Provision Addendum to the DROA, if the purchase by Buyer is contingent upon Buyer selling other real property, Seller shall have the option to take backup or substitute offers from other prospective purchasers. If a backup or substitute offer from another prospective purchaser is not contingent upon the sale of other real property, the Seller shall have the option to cancel Buyer's DROA after ten (10) day written notice to Buyer providing Buyer with the option to withdraw the contingency on their DROA. If Buyer fails to withdraw the contingency in writing by 4:00 P. M. on the tenth day after notice, the Buyer's DROA shall be cancelled and written notice provided to Escrow. Buyer shall be refunded their deposit less Escrow's cancellation fee of thirty-five and no/100 dollars (\$35.00) or a fee commensurate with the work done by Escrow prior to cancellation.

5. Closing Costs. Pursuant to Paragraph 2 of the Special Provision Addendum to the DROA, the Buyer is required to pay at closing all escrow fees, Buyer's notary fees and all recording costs. Buyer's proportionate share of any liability insurance premium, real property taxes, maintenance fees and any other charges with respect to the Property shall be prorated between Seller and Buyer as of the date of final closing. Paragraph C-11 of the DROA is deleted.

6. Closing. Seller has agreed to cause the Apartment to be sold to the Buyer within the time period set forth in Paragraph C-6 of the DROA, which is expected to occur within ninety (90) days of the date of the DROA.

7. Seller's Right to Cancel DROA. The Seller may cancel the DROA with the Buyer if (a) Buyer fails to qualify for a permanent loan (Paragraph C-25 of the DROA); or (b) Buyer defaults under the DROA. Pursuant to Paragraph C-27 of the DROA, if Buyer fails to close as required, then after ten (10) days following Seller's notice of Buyer's default, if Buyer has not cured his default under the DROA, the Seller may cancel the DROA and all sums previously paid by Buyer will belong absolutely to the Seller as liquidated damages. Additionally, Seller may pursue any other remedy, and all costs, including reasonable attorney fees, incurred by reason of default by the Buyer shall be borne by the Buyer. Time is of the essence in the DROA.

8. Inspection. Pursuant to Paragraph C-51, at Buyer's sole cost and expense, Buyer may (a) inspect the Property, (b) inspect all major appliances and fixtures (plumbing, electric and gas), and (c) inspect all public records relating to the Property. Buyer's obligation to purchase under this DROA is contingent upon Buyer's approval of the results of such inspection within sixty (60) days of the Acceptance date.

Pursuant to Paragraph C-53, Buyer shall have the option to conduct a final walkthrough no later than ten (10) days prior to closing. If any repairs or maintenance required have not been made by closing, Seller agrees that an amount equal to 150% of the estimated costs of repair and maintenance shall be held in Escrow until the repairs are completed; provided that any remaining funds held will be automatically disbursed to Buyer by Escrow if all repairs are not completed within fifteen (15) days after closing. All repairs and maintenance bills will be paid through Escrow and any balance remaining after completion of all repairs and maintenance shall be returned to Seller.

9. Termite Provisions. Pursuant to Paragraph C-59, within sixty (60) days, Seller shall select a licensed pest control company to conduct an inspection and issue a Termite Inspection Report on the improvements which are part of the Property, at a cost not in excess of \$200.00.

10. No Present Transfer and Subordination to Construction Loan.

(a) The DROA may be subject to existing loans, and any security interest now or hereafter obtained by Lender is or will be prior and senior to any rights arising under the DROA. This obligation to subordinate the purchaser's right under the DROA to loans now or hereafter made by the Seller is set forth in Paragraph 3 of the Special Provision Addendum of the DROA. Paragraph C-26 of the DROA is deleted.

(b) Seller may also assign by way of security all of its interest in the DROA, as collateral for the repayment of the loan and if the Lender acquires the Seller's interest in the DROA, then the Buyer is obligated to perform the DROA, and to attorn to and recognize the Lender as the Seller under the DROA.

11. Rights of Buyer to Cancel the DROA. The Buyer has the right to cancel the DROA under the following conditions:

(a) At any time within thirty (30) days following the date the Final Public Report is delivered to Buyer. If Buyer so cancels, Buyer will be entitled to receive refund of any deposits, less any escrow cancellation fees and other costs up to \$250. If Buyer does not

act within the thirty (30) day period, or if the Apartment is conveyed to the Buyer, Buyer will be deemed to have executed the receipt for the Final Public Report and to have waived his right to cancel (Paragraphs 4 of the Special Provision Addendum to the DROA);

(b) The Buyer may cancel his purchase if there is a material change in the Project which directly, substantially and adversely affects the use or value of the Buyer's Apartment or the amenities available for the Buyer's use (Paragraph 5 of the Special Provision Addendum to the DROA);

(c) Buyer fails to qualify for permanent financing (Paragraph C-25 of the DROA);

(d) Buyer may cancel his purchase if after review of Seller's disclosure under Paragraph C-44 of the DROA of any Material fact, defect, or condition, past or present, relating to the Property that may influence the decision of the Buyer, that shall be presented to Buyer within ten (10) days of the Acceptance date. Pursuant to Paragraph C-47 of the DROA, Buyer shall have 15 days to examine the disclosure statement and to rescind the DROA. Such disclosure, pursuant to Paragraphs C-49 and C-50, include an asbestos disclosure and a hazardous waste and toxic substances disclosure, as required by law; or

(e) Pursuant to Paragraph C-51, at Buyer's sole cost and expense, Buyer may (a) inspect the Property, (b) inspect all major appliances and fixtures (plumbing, electric and gas), and (c) inspect all public records relating to the Property. Buyer's obligation to purchase under this DROA is contingent upon Buyer's approval of the results of such inspection within sixty (60) days of the Acceptance date.

12. Mediation and Arbitration. As provided in C-32 and C-33. any dispute or claim arising out of the DROA during this sale is subject to Mediation and Arbitration of the dispute or claim in lieu of litigation.

13. Paragraph C-64 of the DROA provides that the Buyer acknowledges that he or she has examined (and agrees to be bound) by the following:

- (a) The Declaration of Condominium Property Regime,
- (b) The By-Laws of the Association of Apartment Owners; and
- (c) The House Rules.

14. Paragraph 6 of the Special Provision Addendum to the DROA provides that the Buyer acknowledges that he or she has examined (and agrees to be bound) by the following:

- (a) The floor plans for the Project;
- (b) Escrow Agreement;
- (c) The Apartment Deed;
- (d) Disclosure Abstract; and
- (e) The Final or Supplementary Public Report..

15. Cooperating Broker's Separate Agreement. The cooperating broker shall receive a 3% commission of the selling price.

EXHIBIT "E"
SUMMARY OF THE MATERIAL PROVISIONS OF THE ESCROW AGREEMENT

Summary of the Condominium Escrow Agreement between the Developer and FIDELITY ESCROW SERVICES CORPORATION, a Hawaii corporation:

1. All deposits will be paid to Escrow. A copy of each Sales Contract and all payments made to purchase an Apartment shall be turned over to Escrow.

2. Refunds. A Buyer shall be entitled to a return of his or her funds, and Escrow shall pay such funds to such Buyer, without interest, in accordance with the Sales Contract if any of the following has occurred:

(a) Developer and the Buyer shall have requested Escrow in writing to return to Buyer the funds of Buyer held hereunder by Escrow; or

(b) Developer shall have notified Escrow of Developer's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer; or

(c) With respect to a Buyer whose funds were obtained prior to the issuance of the Final Report, the Buyer has exercised his or her right to cancel the contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or

(d) A Buyer has exercised his or her right to rescind the contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.

Upon such refund, Escrow shall be entitled to a reasonable fee not less than \$25 or a fee commensurate with the work done by Escrow prior to cancellation.

3. Requirements Prior to Disbursement of Buyer's Funds. Escrow shall make no disbursements of Buyer's funds, pursuant to paragraph 5 of the Escrow Agreement until all of the following have occurred:

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

(b) Seller or Seller's attorney has given a written opinion to Escrow stating that all of the requirements of Sections 514A-39, 514A-62 and 514A-63 of the Hawaii Revised Statutes, then applicable to the Project, have been satisfied and if the project is a conversion project, that the requirement of Section 514A-38 have been met.

(c) Seller shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract;

4. Buyer's Default. Seller must notify Escrow in writing if Buyer defaults, and must certify that Seller has canceled the Buyer's Sales Contract. After such cancellation Escrow will treat the Buyer's funds less Escrow's cancellation fees as belonging to the Seller.

EXHIBIT "F"
DISCLOSURE ABSTRACT

1853 KAIKUNANE LOOP CONVERSION
Condominium Project

Pursuant to Section 514A-61, Hawaii Revised Statutes
Condominium Property Act

Developer

Louis A. Carnazzo
Mary C. Carnazzo
c/o 888 Mililani Street
Suite 705
Honolulu, Hawaii 96813

Project Manager

Property is to be self managed

Estimated Maintenance Fee Assessments and Disbursements

MAINTENANCE FEES: The regular maintenance and repair of the interior of each condominium unit and all utilities (electricity, gas, refuse collection, telephone, cable and water and sewer) shall be the sole responsibility of each respective unit owner. The annual maintenance fees and monthly estimated costs for each unit (revised and updated every twelve (12) months and certified to have been based on generally accepted accounting principles) covers insurance (fire, hurricane and liability insurance), annual maintenance of exterior (painting, roofing, exterior repairs, etc.), 50% of annual maintenance and taxes and government assessments and totals \$195.00 per month.

Estimated Operating Expenses

Utilities and Services	none
Annual maintenance (painting, roofing, exterior repairs, etc.)	\$ 60.00
Management (self managed)	none
Insurance (fire, hurricane and liability insurance)	\$ 60.00
Reserves (50% of annual maintenance)	\$ 30.00
Property Taxes and Government Assessments	\$ 45.00
TOTAL	\$ 195.00

Warranties

Purchasers should be aware that both "condominium units" of the Project are comprised of existing structures. Said buildings have unavoidably undergone a certain amount of "ear and tear" commensurate with their age. Accordingly, purchasers should not expect the home they desire to buy to be in "like new" condition. NO WARRANTIES FOR FITNESS OF USE OR MERCHANTABILITY OR ANY OTHER KIND ARE MADE AS TO THE INDIVIDUAL CONDOMINIUM UNITS OR THE COMMON ELEMENTS OF THE PROJECT. PURCHASERS ARE ADVISED TO CONDUCT THEIR OWN INSPECTION OF THE UNIT THEY DESIRE TO BUY. THE UNITS ARE SOLD "AS IS."

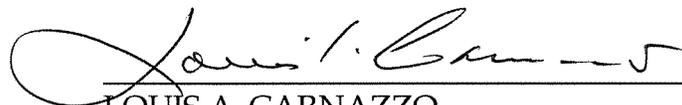
Structural Components and Mechanical & Electrical Installations

Based on a report prepared by an independent registered engineer, it is the developer's opinion that all structural components and mechanical and electrical installations material to the use and enjoyment of the individual condominium units appear to be sound and in satisfactory working condition. However, NO REPRESENTATIONS OF ANY KIND ARE MADE AS TO THE EXPECTED USEFUL LIFE, IF ANY, OF THE STRUCTURAL COMPONENTS AND MECHANICAL AND ELECTRICAL INSTALLATIONS MATERIAL TO THE USE AND ENJOYMENT OF THE CONDOMINIUM UNIT(S).

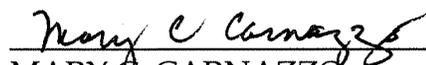
Code Violations

To the best of the knowledge, information and belief of the undersigned, there are no outstanding notices of uncured violations of the building code or other municipal regulations of the City and County of Honolulu.

Dated: July 29, 1996



LOUIS A. CARNAZZO



MARY C. CARNAZZO

"Developer"