

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer: Kahala Kua Ventures
Address: 810 Richards Street, Suite 900, Honolulu, HI 96813

Project Name(\*): 5592 & 5584 POOLA STREET
Address: 5592 and 5584 Poola Street, Honolulu, Hawaii 96821

Registration No. 3589

Effective date: December 8, 1997
Expiration date: January 8, 1999

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Properly 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: The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.

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

X SUPPLEMENTARY: This report updates information contained in the:
(pink) [ X ] Preliminary Public Report dated: effective September 24, 1996
[ X ] Final Public Report dated: effective August 1, 1997
[ ] Supplementary Public Report dated:

And [ X ] 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

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:

1. Change to the Common Driveway Configuration. Condominium Map No. 2559 illustrated the common driveway as a straight run with no curves directly on the subdivision line of Lots 4 and 5, File Plan 2141. Upon site grading and preparation it was found that the actual site conditions for Lots 4 and 5 were steeper than anticipated. Due to the increased grade, the original driveway design would have created a driveway too steep for most cars to travel. The only way to accommodate this increased grade was to add a curve near the base and effectively create a longer run by which the greater rise could be accommodated. This change in the configuration of the common driveway has resulted in the following change in square footages:

	<u>Previously Stated</u>	<u>Result of the Change</u>
Common Driveway	2,360 s.f.	3,927 s.f.
<u>Unit No.</u>	<u>Previous Limited Common Area</u>	<u>New Limited Common Area</u>
4A	7,795 s.f.	6,058 s.f.
4B	7,818 s.f.	7,818 s.f.
5A	9,030 s.f.	9,200 s.f.
5B	8,406 s.f.	8,406 s.f.

2. Completion Date Extension. In the event Developer constructs the units Developer estimates the completion of construction date as November 1, 1999. In the event a Buyer requests to purchase and closes the purchase of the development rights to a unit as opposed to a constructed unit, the Buyer will be solely responsible for the construction of his/her unit and will determine the commencement and completion date of the construction of his/her unit. It should be noted that under this arrangement all units may not start and finish construction at the same time.

This is a CONDOMINIUM PROJECT. This Project does not involve the sale of legally subdivided lots. The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT. The dotted or dashed lines on the Condominium Map do not represent the boundaries of legally subdivided lots and should not be construed as subdivision lines. Rather, the dotted or dashed lines are for illustration purpose only and merely designates the limited common element land area.

This public report does not constitute an approval of the Project by the Real Estate Commission or any other government agency, nor does it ensure that the Project complies with all applicable City and County of Honolulu codes, ordinances, rules and regulations. **THERE ARE NO ASSURANCES THAT THE BUYER WILL BE ABLE TO BUILD ADDITIONAL IMPROVEMENTS IN THE APPURTENANT LIMITED COMMON ELEMENT AREA.** The buyer should consult with the appropriate City and County of Honolulu agencies to determine whether the buyer may construct additional improvements.

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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: Kahala Kua Ventures Phone: (808) 528-3699  
Name (Business)  
810 Richards St. Suite 900  
Business Address  
Honolulu, HI 96813

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

Bill Mills Development Co.-Bill D. Mills, President  
Kahala Kua Holdings, Inc.-William S. Chee, President  
\_\_\_\_\_  
\_\_\_\_\_

Real Estate  
Broker: The Prudential Locations, Inc. Phone: (808) 735-4200  
Name (Business)  
3465 Waiialae Ave. 4th Floor  
Business Address  
Honolulu, HI 96816

Coldwell Banker Pacific Properties, Ltd. Phone: (808) 593-6485  
Name (Business)  
1177 Kapiolani Blvd.  
Business Address  
Honolulu, HI 96814

Escrow: Title Guaranty Escrow Services, Inc. Phone: (808) 521-0211  
Name (Business)  
235 Queen Street, 1st Floor  
Business Address  
Honolulu, HI 96813

General  
Contractor: Ho'ano, Inc. Phone: (808) 847-7544  
Name (Business)  
P.O. Box 647  
Business Address  
Kaaawa, HI 96730

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

Attorney for  
Developer: Watanabe, Ing & Kawashima Phone: (808) 544-8300  
Name (Business)  
999 Bishop Street, 23rd Floor  
Business Address  
Honolulu, HI 96813  
Attention: Donna Y. Kanemaru

**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. 97-076393  
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]:

First Amendment to the Declaration of Condominium Property Regime dated July 1, 1997, recorded as Document No. 97-090462; Second Amendment to the Declaration of Condominium Property Regime dated July 16, 1997, recorded as Document No. 97-095220; Third Amendment to the Declaration of Condominium Property Regime dated October 21, 1997, recorded as Document No. 97-145434.

- 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. 2559  
 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]:

Third Amendment to the Declaration of Condominium Property Regime dated October 21, 1997, recorded as Document No. 97-145434.

- 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. 97-076394  
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]:

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:

To file the "as built" verified statement (with plans if applicable) required by Section 514A-12, Hawaii Revised Statutes, in the event the Developer constructs the units or the buyers fail to do so after completion of construction of their respective units. Developer is under no obligation to file the "as built" verified statement in the event the buyers fail to do so.

At any time prior to recording the first condominium deed or other conveyance to a party not a signatory to the Declaration.

To make any amendments required by law, the Real Estate Commission, any title insurer issuing title insurance on the Project, or any governmental agency of any other jurisdiction.



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: 5592 and 5584 Poola Street  
Honolulu, HI 96821

Tax Map Key: (1) 3-5-073:04 and 5  
(TMK)

Address  TMK is expected to change because \_\_\_\_\_

Land Area: 19,791  square feet  acre(s) Zoning: R-7.5  
18,373



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: A reasonable number of generally recognized household pets as permitted by the rules of the Association of Owners of Kahala Kua.

Number of Occupants: \_\_\_\_\_

Other: The provisions of the Kahala Kua Declaration of Covenants and Restrictions, as amended, a summary of which is attached to this Final Public Report as Exhibit "F".

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0                      Stairways: Internal                      Trash Chutes: 0

<u>Apt. No.</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net (Living) Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
<u>4B/5B</u>	<u>2</u>	<u>3/2.5</u>	<u>1,670</u>	<u>250</u>
<u>5A</u>	<u>1</u>	<u>3/2.5</u>	<u>2,191</u>	<u>158</u>
<u>4A</u>	<u>1</u>	<u>4/3</u>	<u>2,322</u>	<u>174</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 4

**\*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:**

The respective units shall not include any pipes, shafts, wires, conduits or other utility or service lines which are utilized for or serve more than one unit. Each unit shall be deemed to include: (i) all portions of the residential structure including the garage and concrete foundation, roof and exterior walls; (ii) all pipes, shafts, ducts, pumps, conduits, wires and other utility or service lines running through or to such unit which are utilized for and serve only that unit; (iii) all appliances and fixtures installed therein and replacements thereof.

**Permitted Alterations to Apartments:**

Owners may alter or renovate the interiors of their units. Any exterior alterations, modifications or renovations, including landscaping, shall require the prior approval of the Kahala Kua Design Committee.

7. Parking Stalls:

Total Parking Stalls: 8

	<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>        </u>	<u>8</u>				
Guest Unassigned	<u>        </u>	<u>0</u>					
Extra for Purchase	<u>        </u>	<u>0</u>					
Other:	<u>        </u>	<u>0</u>					
<b>Total Covered &amp; Open</b>	<u>8</u>	<u>        </u>	<u>0</u>	<u>        </u>	<u>0</u>	<u>        </u>	<u>8</u>

Each apartment will have the exclusive use of at least one (1) 2-car garage.  
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: Common driveway

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):

N/A

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.

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 \_\_\_\_\_.

as follows:

- Common driveway located upon the lot which provides access to the units.
- All stubouts from the main lines within the roads providing service to the project.
- All pipes, shafts, wires, conduits or other utility or service lines which are utilized for or serve more than one unit.

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

There are no limited common elements in this project.

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

described in Exhibit \_\_\_\_\_.

as follows:

Each unit shall have an area of land appurtenant thereto as a limited common area, as follows:

<u>Unit</u>	<u>Area (s.f.)</u>
4A	6,058
4B	7,818
5A	9,200
5B	8,406

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 apartments 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:

Each unit shall have a twenty-five percent (25%) common 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 B describes the encumbrances against the title contained in the title report dated October 20, 1997 and issued by Title Guaranty of Hawaii, Inc.

**Blanket Liens:**

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

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

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

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

Type of Lien

Effect on Buyers Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance

Loans

Mortgagee may foreclose and cancel all reservations and non-binding sales contracts. Buyer's deposit will be refunded, less escrow cancellation fees, within a reasonable time period after cancellation.

**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:** IN THE EVENT DEVELOPER CONSTRUCTS THE UNIT, the execution, delivery and recordation of the Unit Deed shall constitute the assignment by Seller to Buyer of any and all warranties given Seller by the general contractor for the Project and by any subcontractors or materialmen, including but not limited to said contractor's guarantee of materials and workmanship against faulty or deficient materials and installation for a period of one (1) year after "substantial completion" of the Unit, as that term is defined in the construction contract for the Project, and the benefit of such warranties shall accrue to Buyer on closing without further instruments or documents. Seller agrees to cooperate with Buyer during the effective period of any such warranties in asserting any claims based on such warranties. If closing occurs after the expiration of the warranties of the general contractor, subcontractors and materialmen, Seller will give to Buyer a construction warranty from the Seller which shall last for a period of one (1) year from the date of closing; provided, however, that if closing occurs within ninety (90) days before the expiration of the warranties of the general contractor, subcontractors and materialmen, Seller's warranty shall extend for a certain period after said expiration date so that the total period for Seller's warranty shall be one (1) year. Buyer shall also have the direct benefit of any manufacturer's or dealer's warranties covering the appliances in the Unit.

IN THE EVENT THE BUYER CONSTRUCTS THE UNIT, Buyer will be solely responsible for the construction of his/her unit and will enter into a construction contract with Ho'ano, Inc. or other contractor of his/her choice. Buyer will be entitled to any construction warranty provided by his/her contractor.

2. **Appliances:** IN THE EVENT DEVELOPER CONSTRUCTS THE UNIT, The execution, delivery and recordation of the Unit Deed shall constitute the assignment by Developer to Buyer of any and all warranties given Developer by the manufacturer of any appliance installed in said Unit. DEVELOPER IS NOT A CO-WARRANTOR OR GUARANTOR ON ANY WARRANTIES FOR ANY APPLIANCES INSTALLED IN SAID UNIT.

IN THE EVENT BUYER CONSTRUCTS THE UNIT, Developer is not providing any appliances to the Buyer and, as a result, does not assign or provide any warranty.

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

IN THE EVENT DEVELOPER CONSTRUCTS THE UNITS, the estimated date of the completion of construction shall be November 1, 1999.

IN THE EVENT BUYER CONSTRUCTS THE UNIT, the buyer will determine the commencement and completion date of the construction of his/her unit. It should be noted that under this arrangement all units may not start and finish construction at the same time.

**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:

[ X ] Notice to Owner Occupants

[ X ] Specimen Sales Contract

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

[ X ] Escrow Agreement dated  May 27, 1997

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 Kahala Kua Declaration of Covenants and Restrictions, as amended, the Bylaws of the Kahala Kua Community Association, Articles of Incorporation

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. 3589 filed with the Real Estate Commission on July 24, 1996.

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C. **Additional Information Not Covered Above**

1. **Kahala Kua.** The condominium project consists of four (4) units situated on two legally, subdivided lot located within Kahala Kua. A buyer of a condominium unit shall be a member of the association for Kahala Kua and the association created for the condominium project. As a member of both associations, the buyer shall be obligated to observe the terms, conditions, covenants and restrictions set forth in the Kahala Kua Declaration of Covenants and Restrictions, as amended, and the Declaration of Condominium Property Regime, which includes the obligation to pay assessments.

2. **Additional Improvements.** The developer, its employees and agents, make no representation or warranty that the buyer of a unit shall have the right to construct additional improvements in the limited common element land area. Buyer may construct additional improvements as permitted by the City and County of Honolulu and subject to compliance with the Kahala Kua Declaration of Covenants and Restrictions, as amended. The developer recommends that prior to entering into a binding sales contract for the purchase of a unit, the buyer carefully evaluate the applicable codes, ordinances, rules and regulations of the City and County of Honolulu to determine whether additional improvements may be constructed.

Any representation or warranty on this matter by the developer's employees or agents contrary to this disclosure is hereby disclaimed and shall not be attributable to the developer unless developer has acknowledged such representation or warranty in writing addressed to the buyer.

3. **Fences.** The developer, its employees and agents, make no representation or warranty as to whether the buyer will be permitted to construct a fence to separate buyer's limited common element land area from the limited common element land area appurtenant to the adjacent unit. Buyer should consult the codes, ordinances, rules and regulations of the City and County of Honolulu to determine whether a fence may be constructed.

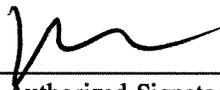
4. **Future Development.** Buyer acknowledges that the developer may construct dwellings on other lots within Kahala Kua. The construction of such dwellings may alter or partially or totally block any existing views. Such development or construction may be performed by the developer or by third parties. Buyer further acknowledges and agrees that the developer has reserved an easement over the Project and Kahala Kua for the benefit of the developer, its successors-in-title or assigns, or any contractors hired by the developer or developer's successors-in-title or assigns for the transmission, discharge, or emission of surface water runoff, noise, smoke, heat, soot, dust, noxious vapors, odors and other substances and nuisances (hereinafter referred to as the "Development By-Products") which are created by and result from the development or construction of dwelling on other lots within the Kahala Kua subdivision. Buyer, individually and as a member of the Kahala Kua Community Association and the condominium association, agree that neither the developer, or any successors-in-title or assigns, or any contractors hired by the developer or developer's successors-in-title or assigns shall be held liable for any nuisance, personal injury, illness or any other loss or damage which is caused by the development or construction of the dwellings on other lots within Kahala Kua or the Development By-Products. Buyer, individually and as a member of the Kahala Kua Community Association and the condominium association, waives any right to: (i) require the developer or any successors-in-title or assigns to take any action to correct, modify, alter, eliminate or abate the development or construction of any dwelling or Development By-Product; or (ii) file any suit or claim for injunction or abatement of any dwelling or Development By-Product.

5. **Development in Surrounding Area.** The developer makes no representations or warranties as to any plans for development or construction in the surrounding area. As such development of parcels of lands adjacent to or nearby or within the neighborhood of Kahala Kua may alter, or partially or totally block any existing views.

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.

Kahala Kua Ventures

Name of Developer

By:   
Duly Authorized Signatory

NOV. 18 1997

Date

Bill D. Mills, President of Bill Mills Development Company,  
a joint venture partner of Kahala Kua Ventures.

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"

### BUILDING AND UNIT DESCRIPTION

The Project shall consist of four (4) free standing, single family dwellings containing two floors. Each unit does not have a basement. The units shall be constructed principally of concrete, wood, glass, steel, and tile materials.

#### Boundaries of Each Unit

Each of the four (4) free standing structures, together with the exterior walls, floors, roofs, concrete footings, and garages, are hereby designated as the units of the Project, as designated on the Condominium Map and as described as follows:

- a. Unit Numbers and Locations. The Unit numbers and the location of Units are shown on the Condominium Map.
- b. Layout and Area. The various Unit types and their respective areas are more particularly described as follows:

(1) Unit 4A. This Unit has a net living area of approximately 2,322 square feet and two (2) floors. This Unit consists of twelve (12) rooms, including a kitchen, a dining area/living room, three (3) bathrooms, four (4) bedrooms, a family room, a study, a laundry room, and a covered entry of approximately 116 square feet, a covered lanai of approximately 174 square feet, and an attached, enclosed garage consisting of approximately 380 square feet.

(2) Unit 4B. This Unit has a net living area of approximately 1,670 square feet and two (2) floors. This Unit consists of nine (9) rooms, including a kitchen, a dining area/living room, two and one-half (2 1/2) bathrooms, three (3) bedrooms, a laundry room, a covered lanai of approximately 250 square feet, a covered walkway consisting of approximately 117 square feet, and an attached, enclosed garage consisting of approximately 380 square feet.

(3) Unit 5A. This Unit has a net living area of approximately 2,191 square feet and two (2) floors. This Unit consists of eleven (11) rooms, including a kitchen, a dining area/living room, two and one-half (2 1/2) bathrooms, three (3) bedrooms, a family room, a study, a laundry room, and a covered entry of approximately 118 square feet, a covered lanai of approximately 158 square feet, and an attached, enclosed garage consisting of approximately 380 square feet.

(4) Unit 5B. This Unit has a net living area of approximately 1,670 square feet and two (2) floors. This Unit consists of nine (9) rooms, including a kitchen, a dining area/living room, two and one-half (2 1/2) bathrooms, three (3) bedrooms, a laundry room, a covered lanai of approximately 250 square feet, a covered walkway consisting of approximately 117 square feet, and an attached, enclosed garage consisting of approximately 380 square feet.

The foregoing approximate net living areas for the units are computed from and to the interior surface of the perimeter walls of the structures. The areas for the non-enclosed lanais, if any, are computed from the outside surfaces of the Unit walls to the outside surface walls of the lanais.

- c. Appliances and Fixtures. Seller is not providing any appliances.
- d. Access to Streets or Highways. Each Unit has immediate access through walkways and driveways to the common areas of the Project and to the streets providing access to the Kahala Kua subdivision.
- e. Other Data Identifying and Defining the Units. The respective Units shall not be deemed to include any pipes, shafts, wires, conduits or other utility or service lines which are located outside of a Unit or which are utilized for or serve more than one Unit, the same being deemed Common Elements as hereinafter provided. Each Unit shall be deemed to include (i) all portions of the residential structure, inclusive of concrete footings and roof, (ii) all pipes, shafts, ducts, pumps, conduits, wires and other utility or service lines running through or to such Unit which are utilized for and serve only that Unit, and (iii) all appliances and fixtures installed therein and replacements thereof.

Exhibit "A"

Supplementary Public Report - 5592 & 5584 Poola Street

0159647.03

EXHIBIT "B"

ENCUMBRANCES AGAINST TITLE

1. REAL PROPERTY TAXES, as may be due and payable. Refer to the Director of Finance, City and County of Honolulu.
2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. - As to Lot 4: -

DESIGNATION OF EASEMENT "A" (area 520 square feet)

Purpose: : Access  
In Favor of : Lot 5  
Shown : on survey map prepared by Wilfred Y. K. Chin, Licensed Professional Land Surveyor, with Controlpoint Surveying, Inc., dated December 5, 1996

4. - As to Lot 5: -

(A) DESIGNATION OF EASEMENT "4" (10 feet wide)

Purpose : drainage  
Shown : on File Plan No. 2141

(B) Encroachment of a 6" plastic drain pipe protruding 1' 10" into Lot 5 without easement, as shown on survey map prepared by Alden S. Kajioka, Licensed Land Surveyor, with Controlpoint Surveying & Engineering, Inc. dated January 17, 1995.

(C) Encroachment of a 4" plastic drain pipe protruding 1 foot into Lot 5 without easement, as shown on survey map prepared by Alden S. Kajioka, Licensed Land Surveyor, with Controlpoint Surveying & Engineering, Inc. dated January 17, 1995.

5. DEED

Dated: July 23, 1998  
Recorded: Liber 22165 at Page 603

The foregoing includes, but is not limited to the following:

"EXCEPTING AND RESERVING out of this demise the following:

The right of Trustees, their tenants or licensees to discharge storm waters from the Waialae-iki View Lots onto the land hereby demised and reserving all rights-of-way for storm drainage purposes that may at any time during the term hereby demised be required by Trustees, their tenants or licenses to convey said waters over and across said land."

6. KAHALA KUA DECLARATION OF COVENANTS AND RESTRICTIONS

Dated: December 23, 1994  
Document No.: 95-006505

The foregoing includes, but is not limited to the following provision:

Assessment lien shall be subject and subordinate to the lien of any recorded first mortgage or recorded purchase money mortgage.

CONSENT AND JOINDER, recorded in said Bureau as Document No. 95-006506, by EIC, INC., a Hawaii corporation.

Said Declaration was amended by instrument(s) dated February 15, 1995, recorded in said Bureau as Document No. 95-022763, dated April 4, 1995, recorded in said Bureau as Document No. 95-095874, and dated August 23, 1995, recorded in said Bureau as Document No. 95-108910.

The foregoing Amendment dated August 23, 1995, recorded in said Bureau as Document No. 95-108910, was amended by Affidavit dated August 29, 1995, recorded in said Bureau as Document No. 95-111227.

7. DECLARATION OF RESTRICTION COVENANTS

Dated: --/--/--  
Document No.: 95-017406

Said Declaration was amended by instrument(s) dated March 3, 1995, recorded in said Bureau as Document No. 95-030330.

8. MORTGAGE

Dated: August 29, 1995  
Recorded: August 31, 1995  
Document No.: 95-112475  
Mortgagor: KAHALA KUA VENTURES, a Hawaii joint venture.  
Mortgagee: GECC FINANCIAL CORPORATION, a Hawaii corporation.  
To secure an indebtedness of \$6,500,000.00 and any other amounts payable under the terms thereof.

The above mortgage was assigned

To: GE CAPITAL HAWAII, INC., a Hawaii corporation  
Dated: November 22, 1995  
Recorded: Document No. 95-165779

9. DEVELOPMENT AGREEMENT

Dated: May 17, 1996  
Recorded: Document No. 96-073358  
Parties: Kahala Kua Ventures, a Hawaii joint venture, and Ridgecrest Homes, a Hawaii general partnership

-Note:- House Mortgagor (Ridgecrest Homes) has not recorded interest in the land other than the Development Agreement.

10. MORTGAGE

Dated: May --, 1996 (acknowledged May 8, 1996)  
Recorded: Document No. 96-073359  
Mortgagor: KAHALA KUA VENTURES, a Hawaii joint venture, "Lot Mortgagor", and RIDGECREST HOMES, a Hawaii joint venture  
Mortgagee: GE CAPITAL HAWAII, INC., a Hawaii corporation

Mortgaging the land to secure (a) a term loan to Lot Mortgagor and House Mortgagor in the original principal amount of \$2,150,000.00 and (b) a revolving construction loan to House Mortgagor in the original principal amount of up to \$5,000,000.00 - covers the land besides other land.

11. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in DECLARATION OF CONDOMINIUM PROPERTY REGIME for the "5592 & 5584 POOLA STREET" Condominium Project dated May 16, 1997, recorded in said Bureau as Document No. 97-076393.

Said Declaration was amended by instruments dated July 1, 1997, recorded in said Bureau as Document No. 97-090462, dated July 16, 1997, recorded in said Bureau as Document No. 97-095220 and dated October 21, 1997, recorded in said Bureau as Document No. 97-145434.

CONDOMINIUM MAP NO. 2259, and any amendments thereto.

12. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS dated May 16, 1997, recorded in said Bureau as Document No. 97-076394.

13. ADDITIONAL CHARGE MORTGAGE

Mortgagor : KAHALA KUA VENTURES, a Hawaii joint venture, "Lot Mortgagor", and RIDGECREST HOMES, a Hawaii joint venture, "House Mortgagor"

Mortgagee : GE CAPITAL HAWAII, INC., a Hawaii corporation

Dated : June 20, 1997

Recorded : Document No. 97-083965

Amount : \$1,000,000.00 - covers the land described herein, besides other land

Being an additional charge to that certain Mortgage recorded in said Bureau as Document No. 97-073359.

14. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a survey or archaeological study would disclose.

15. Any lien (or claim of lien) for services, labor or material arising from an improvement or work related to the land.



## EXHIBIT "D"

### SUMMARY OF SALES CONTRACT

Two (2) specimen copies of a Kahala Kua Fee Simple Sales Contract have been submitted to the Real Estate Commission as part of the registration. Both specimen sales contract have three (3) parts. One specimen sales contract is for the sale and purchase of a condominium unit constructed by the Developer (referred to as the "Seller" in the sales contract). The other specimen sales contract is for the sale and purchase of the development rights for a unit (the "Development Sales Contract").

First Section. Applicable to both specimen sales contract.

The first section of the sales contract sets forth the unit (number of bedrooms/bathrooms, estimated net living area), the buyer, the tenancy selected by the buyer, the purchase price and payment schedule, closing date, escrow company, and addendums.

Addendum "A" - General Terms and Conditions. Applicable to both specimen sales contract.

Addendum "A" sets forth the general terms and conditions of the sales contract and provides that:

(a) If the Buyers who have agreed to obtain mortgage loans have not secured loan commitment therefor within forty-five (45) days after application for the same satisfactory to the Seller, the Seller may elect to terminate at Seller's option, the sales contract upon written notice to the Buyer and, upon such termination all monies paid by the Buyer shall be refunded, less the cost of any credit report, escrow cancellation fees, if any, and other costs actually incurred by the Seller or lending institution in processing such loan application; provided, however, that if the Seller ascertains that the Buyer has failed to qualify for the mortgage loan due to the failure to use his best efforts to obtain such mortgage loan in good faith or to do or perform all acts necessary to obtain such loan, then such failure shall constitute a default by the Buyer entitling Seller to retain all sums paid as liquidated damages.

(b) The Buyers should be aware that Buyer's interest under the sales contract shall be subject and subordinate to the lien of the mortgages which Kahala Kua Ventures, the developer of the subdivision, and Seller has or shall obtain in order to develop the Project. The total principal amount of such loans will not exceed FIFTEEN MILLION DOLLARS (\$15,000,000.00), the rate of interest (other than the Default Rate) under such loan will not exceed two percent (2%) above the Base Rate, and the term of such loan will not exceed two (2) years. Buyer hereby intentionally subordinates the priority of Buyer's interest in this Agreement in favor of the lien of such mortgages and all extensions and modifications thereof, and all increases thereof up to the limits stated above. Buyer also waives any claims which Buyer may have against Kahala Kua Ventures and Seller for breach of this Agreement in the event that said mortgage is foreclosed. the Seller's mortgage loans (interim, renewals and extensions) used for the construction of the Project shall be and remain at all times a superior lien on all unsold condominium units of the Project, and Buyers intentionally waive and subordinate the priority of the lien under the Sales Contract or reservation agreement in favor of such mortgage loan and waives any claims which they may have against Seller for breach of the Sales Contract or reservation agreement in the event that said mortgage loans are foreclosed.

(c) The sales contract constitutes only a reservation agreement until such time as the Seller delivers to Buyer (i) a copy of the Final Public Report and two (2) copies of the Receipt For Public Report(s) and Notice of Right to Cancel have been delivered to Buyer; (ii) the lapse of Buyer's Right to Cancel (the expiration of thirty (30) days from the date of receipt of the Final Public Report) or Buyer indicates its intent to waive its Right to Cancel and returns the executed Right to Cancel to Seller; (iii) a copy of the Deed, Declaration of Condominium Property Regime, Bylaws, House Rules and Escrow Agreement have been delivered to Buyer. Until the sales contract becomes binding, either the Seller or the Buyer has an unconditional right to cancel the contract by written notice to each other.

(d) The Buyer shall pay one-half of the escrow fee, applicable title insurance; drafting of the Deed, Buyer's notary fee; recording fees; and acknowledgments of the Buyer on all instruments and any costs incurred for title insurance.

(e) The Buyer may also be required to prepay maintenance fees for a period of up to two (2) months, prepay insurance premiums for up to one (1) year, prepay real property taxes for the remainder of the tax year prorated as of the recordation date of the assignment and conveyance instrument and pay a non-refundable start-up fee in an amount equal to two (2) months maintenance fees, which shall be a one-time non-transferable non-refundable assessment at sale, not as a common expense, shall

be in addition to the normal maintenance fees, shall be held, accounted for and expended as funds of the Association for the benefit of all of the condominium unit owners by Seller and the managing agent, all of which shall be paid at Pre-Closing. Buyer further agrees that all maintenance, other taxes, assessments and other expenses shall also be prorated between Seller and Buyer as of such proration date for real property taxes which shall be the date of the recordation of the assignment and conveyance instrument. (NOTE: This amount, together with other amounts required, are in addition to and are not part of the total purchase price and shall be paid at Pre-Closing).

(f) The Seller has made no representations with respect to the possibility of rental or other income from the condominium unit or other economical benefit to be derived from the rental of the condominium unit, including but not limited to, any representations to the effect that Seller or the managing agent of the project by a third party will provide services relating to the rental or sale of the condominium unit nor representations as to the possible advantages from the rental of the condominium unit under Federal and State tax laws. If Buyer wishes to rent the condominium unit to third persons, Buyer must make his own arrangements. Buyer further agrees and acknowledges that in the event that the offer to sell and the purchase of the condominium unit or the activities of Buyer with respect to the condominium unit are determined to be or alleged to give rise to any violation of any Federal or State securities laws or regulations, Seller may obtain an injunction enjoining such acts of the Buyer and Seller may, in addition, pursue any other remedies and Buyer shall pay the Seller's costs and attorney's fees in connection therewith. In the event that the Buyer or anyone claiming by or through him alleges that the offer to sell or the purchase of any condominium unit gives rise to any violation of any Federal or State disclosure laws or regulations, the Buyer covenants not to sue for any remedy other than to sue for refund of the purchase price and actual closing cost plus interest at ten percent (10%) per annum from the date of closing to the date of repayment. Buyer agrees to absorb any additional charges incurred with respect to the condominium unit as the reasonable use value of the condominium unit. The terms of this paragraph shall survive final closing of the sale and Buyer's occupancy of the condominium unit.

**Additional Provision APPLICABLE ONLY TO THE DEVELOPMENT SALES CONTRACT:**

(a) The Buyer is purchasing the development rights to the identified unit as opposed to a constructed unit. Seller will provide to the Buyer the building plans for the identified unit. The Buyer will be solely responsible for the construction of the unit and will determine the commencement and estimated completion of construction date for the unit.

**Addendum "B" - Disclosure.** Applicable to both specimen sales contract.

Addendum "B" discloses that upon purchasing a Unit, Buyer will become a member of two (2) associations: the Association of Owners of 5592 and 5584 (the association for the condominium project) and the Association of Owners of Kahala Kua (the association for the overall Kahala Kua subdivision). As a member, Buyer shall be obligated to pay assessments as levied by both associations and observe the terms, conditions, covenants and restrictions of both the Declaration of Condominium Property Regime and Kahala Kua Declaration of Covenants and Restrictions, as amended, which includes the obligation to pay assessments for both associations.

Seller does not make any representations or warranties that a fence may be constructed to separate the Buyer's limited common area from the limited common area appurtenant to the adjoining unit.

EXHIBIT "E"

SUMMARY OF ESCROW AGREEMENT

An executed Escrow Agreement has been submitted to the Real Estate Commission as part of the registration. The Escrow Agreement dated May 27, 1997, identified Title Guaranty Escrow Services, Inc. as the escrow agent. The Escrow agreement provides that the Escrow Agent shall refund to Buyer all of Buyer's funds, without interest, less a cancellation fee of not less than \$25.00, if buyer shall request refund of his funds and any one of the following shall have occurred:

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

(b) Developer has notified Escrow Agent of Developer's exercise of the option to rescind the sales contract pursuant to any right of rescission stated therein or otherwise available to Developer; or

(c) With respect to a Buyer whose funds were obtained prior to the issuance of the Final Public Report,

(i) upon receiving a true copy of the Final Public Report, Buyer elects to cancel the sales contract before the earlier of (1) the conveyance of the condominium unit to the Buyer, or (2) midnight of the thirtieth (30th) day following the date of delivery of the Final Public Report to such buyer, or

(ii) there is a material change in the Project which directly, substantially and adversely affects the use or value of (1) the Buyer's condominium unit or limited common elements appurtenant thereto, or (2) those amenities of the Project available for Buyer's use, except for any additions, deletions, modifications and reservations including, without limitation, the merger or addition or phasing of the Project made pursuant to the terms of the Declaration.

Escrow shall promptly and diligently close the transactions and perform such services as are necessary or proper therefor including the recordation of all documents. If Buyer fails to make any payment on or before the due date or fails to perform in any matter which is being handled by Escrow, Escrow shall promptly notify Developer of any such failure on the part of Buyer.

## EXHIBIT "F"

### Summary of Kahala Kua Declaration of Covenants and Restrictions

The project is located upon two (2) contiguous lots within the Kahala Kua subdivision. The Kahala Kua subdivision is subject to the Kahala Kua Declaration of Covenants and Restrictions, as amended. The following is a summary and the buyer is recommended to read the Kahala Kua Declaration of Covenants and Restrictions and all amendments thereto prior to entering into a binding sales contract.

#### Kahala Kua Declaration of Covenants and Restrictions:

The Kahala Kua Declaration of Covenants and Restrictions, as amended ("DCCRs"), provides that each owner shall automatically become a member upon acquiring or accepting title to a lot in Kahala Kua. Membership shall be appurtenant to and may not be separated from ownership of the Owner's Lot. Rights of membership terminate upon termination of status as an Owner. No Owner may avoid the obligations of membership by non-use of the Common Property, renunciation or abandonment of the Owner's Lot, or any other act of abandonment or renunciation. In the event more than one (1) dwelling is constructed on a lot and a condominium property regime is created, each owner of a structure on said lot shall be deemed an owner and member.

Each owner will be entitled to one (1) vote per lot. In the event two (2) dwellings (aka. units) are constructed upon one lot and a condominium property regime is created, the first dwelling shall have one (1) vote and the second dwelling shall have a one-half (1/2) vote. The first dwelling shall be the residence with the minimum enclosed floor area of 2,000 square feet. The second dwelling shall be the residence with the maximum enclosed floor area of 1,800 square feet. This means that in such situation, the lot shall have a total one and one-half votes (1 1/2). Please review the Third Amendment to the Kahala Kua Declaration of Covenants and Restrictions for additional information.

Each owner shall be obligated to pay general, supplemental or special assessments as levied by the association. Assessments shall be payable in advance in equal semi-annual, quarterly or monthly installments or in such other reasonable manner as the Board of Directors may designate. An Owner's "Proportionate Share" of the assessments shall be equal to one-hundred sixteenth (1/116). In the event two (2) dwellings (aka. units) are constructed upon a single lot and a condominium property regime is created, the total assessment to a lot shall be equivalent to: (i) the Proportionate Share; and (ii) an additional amount equivalent to 50% of the Proportionate Share. Please see the Third Amendment to the Kahala Kua Declaration of Covenants and Restrictions for additional information.

The DCCRs restricts the lot to residential uses. The DCCRs also provides that the owner shall be required to obtain the consent of the Design Committee for Kahala Kua prior to commencement of any construction, modification, alteration, renovation or addition to the Unit. The restrictions pertaining to construction, modification, alteration, renovation or additions shall apply to any condominium unit. Please review the DCCRs for additional information.