

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer HTH DEVELOPMENT, INC., a Hawaii corporation
Address 711 Keeaumoku Street, Honolulu, Hawaii 96814

Project Name(*): 731 6th Avenue
Address: 731 6th Avenue, Honolulu, Hawaii 96816

Registration No. 3596
(Conversion)

Effective date: September 10, 1996
Expiration date: October 10, 1997

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

 PRELIMINARY: 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.
(yellow)

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

 SUPPLEMENTARY: This report updates information contained in the:
(pink)
 [] Preliminary Public Report dated: _____
 [] Final Public Report dated: _____
 [] Supplementary Public Report dated: _____

And [] Supersedes all prior public reports
 [] Must be read together with _____
 [] This report reactivates the _____
 public report(s) which expired on _____

(*) Exactly as named in the Declaration

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report 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: HTH Development, Inc. Phone: (808) 921-6103
Name (Business)
711 Keeaumoku Street
Business Address
Honolulu, Hawaii 96814

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

Herbert T. Hayashi - Chairman of the Board, Chief Executive Officer
Mark S. Hayashi - President/Treasurer
Harry K. Hayashi - Vice President
Mae K. Murakami - Secretary

Real Estate Broker: None selected - See page 20. Phone: _____
Name (Business)

Business Address

Escrow: Island Title Corporation Phone: (808) 531-0261
Name (Business)
1132 Bishop Street
Business Address
Honolulu, Hawaii 96813

General Contractor: Not Applicable Phone: _____
Name (Business)

Business Address

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

Business Address

Attorney for Developer: Ching, Yuen & Morikawa Phone: (808) 524-8880
William W.L. Yuen (Business)
Name
1001 Bishop Street, Pacific Tower
Business Address Suite 2700
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, FRS), 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. 96-064627
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]:

NONE.

- 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. 2399
 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]:

NONE.

- 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. 96-064628
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]:

NONE.

- 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>100</u> |
| Bylaws | 65% | <u>100</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:

See Exhibit **A** attached hereto.

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 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 apartment deed.

B. Underlying Land:

Address: 731 6th Avenue Tax Map Key: (1) 3-2-23-37
Honolulu, Hawaii 96816 (TMK)

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

Land Area: 11,232 [X] square feet [] acre(s) Zoning: R-5

Fee Owner HTH DEVELOPMENT, INC., a Hawaii corporation
 Name _____
711 Keeaumoku Street
 Address _____
Honolulu, Hawaii 96814

Sublessor: Not Applicable
 Name _____
 Address _____

C. Buildings and Other Improvements:

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

2. Number of Buildings: 2 Floors Per Building Unit A:2; Unit B:1

Exhibit B contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other _____

4. Permitted Uses by Zoning:

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

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

Yes No

5. Special Use Restrictions:

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

- Pers: See Exhibit C attached hereto
- Number of Occupants: _____
- Other: _____
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

| <u>Apt. Type</u> | <u>Quantity</u> | <u>BR/Bath</u> | <u>Net Living Area (sf)*</u> | <u>Lanai/Patio (sf)</u> |
|------------------|-----------------|----------------|------------------------------|-------------------------|
| A | 1 | 7/3 | 2,822 | 0 |
| B | 1 | 3/2 | 1,014 | 424 |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |

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:

Exterior perimeter walls as shown on Condominium File Plan.

Permitted Alterations to Apartments:

See Exhibit D attached hereto.

7. Parking Stalls:

Total Parking Stalls: 4

| | <u>Regular</u> | | <u>Compact</u> | | <u>Tandem</u> | | <u>TOTAL</u> |
|--------------------------------|----------------|-------------|----------------|-------------|----------------|-------------|--------------|
| | <u>covered</u> | <u>open</u> | <u>covered</u> | <u>open</u> | <u>covered</u> | <u>open</u> | |
| Assigned (for each unit) | <u>2</u> | <u>0</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u>4</u> |
| Guest | <u>0</u> | <u>0</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unassigned | <u>0</u> | <u>0</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Extra for Purchase | <u>0</u> | <u>0</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Other: | <u>0</u> | <u>0</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Covered & Open | <u>4</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

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

Commercial parking garage permitted in condominium project.

Exhibit contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

There are no recreational or common facilities.

Swimming pool Storage Area Recreation Area

Laundry Area Tennis Court Trash Chute

Other: There are no recreational facilities. The Common Elements are those areas designated on the Condominium File Plan.

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
See exhibit E attached hereto.

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

(For conversions of residential apartments in existence for at least five years):

See exhibit E attached hereto. The Developer makes no representation as to Useful Life.

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 restriction 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 G .

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 H.

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:

| <u>Unit</u> | <u>Common Interest*</u> |
|-------------|-------------------------|
| A | 0.46 |
| B | 0.54 |

*Common Interests shall not be equal. Bylaws and Declaration shall require one hundred percent (100%) vote for Association to act.

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.

Reservation of mines and minerals in favor of the State of Hawaii.

Exhibit L describes the encumbrances against the title contained in the title report dated July 29, 1996 and issued by Island Title Corporation.

Blanket Liens:

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

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

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

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

Type of Lien

Effect on Buyer's Interest and Deposit if Developer Defaults
or Lien is Foreclosed Prior to Conveyance

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:

-0-

2. Appliances:

-0-

G. Status of Construction and Estimated Completion Date:

Unit A was constructed in 1962.
Unit B was constructed in 1948.

H. Project Phases:

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

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

IV. CONDOMINIUM MANAGEMENT

A. Management of the Common Elements: The Association of Apartment Owners is responsible for the management 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 I 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 J contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated January 10, 1996
Exhibit K 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. (none)
 - E) Condominium Map.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other _____

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

This Public Report is a part of Registration No. 3596 filed with the Real Estate Commission on 8/5/96

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

- yellow paper stock white paper stock pink paper stock

C. Additional Information Not Covered Above

City & County of Honolulu is planning to widen 6th Avenue and condemn three (3) feet from the portion of the lot bounded by 6th Avenue.

Pursuant to sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that Developer/Owner: HTH Development, Inc., President/Treasurer Mark S. Hayashi, RS39157, is a current and active Hawaii-licensed real estate salesperson. Pursuant to section 16-99-11(c), HAR, "(n)o licensee shall be allowed to advertise 'For Sale by Owner', 'For Rent by Owner', 'For Lease by Owner', 'For Exchange by Owner'."

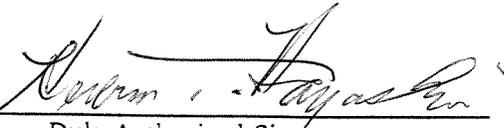
Disclosure re: Selection of Real Estate Broker

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

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.

HTH DEVELOPMENT, INC., a Hawaii corporation

Name of Developer

By: 
Duly Authorized Signatory

April 11, 1996
Date

Herbert T. Hayashi, President
print name & title of person signing above

Distribution:

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

EXHIBIT A

DEVELOPER'S RIGHTS TO CHANGE
THE DECLARATION, CONDOMINIUM MAP, AND BYLAWS

Prior to the time that all Apartments in the Project have been sold and recorded, Developer shall have the right, without the approval, consent or joinder of any Apartment Owner: (a) to make alterations in the Project (and/or to amend the Declaration and the Condominium File Plan accordingly) which change the configuration of, decrease or increase the size of, or change the location of any unsold Apartment and the Limited Common Elements appurtenant thereto; or (b) to make other alterations in the Project (and/or to amend the Declaration and the Condominium File Plan accordingly) which make minor changes in any Apartment in the Project or the Common Elements which do not affect the physical location, design or size of any Apartment which has been sold and recorded; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in Article X of the Declaration.

Prior to the time that all Apartments of the Project have been sold and recorded, Developer reserves the right to amend the Declaration, the By-laws and the Condominium File Plan, without the approval, consent or joinder of any purchaser of an Apartment or any of the persons then owning or leasing any Apartment, to make such amendments as may be required by law, by the Real Estate Commission of the State of Hawaii, by any title insurance company issuing a title insurance policy on the Project or any of the Apartments, by any institutional lender lending funds the repayment of which will be secured by an interest in the Project or any of the Apartments, or by the governmental agency of any state, territory, possession or foreign country or other foreign jurisdiction as a condition precedent to the marketing or sale of the Project in any such jurisdiction; provided, however, that except as otherwise provided herein, no such amendment which would change the Common Interest appurtenant to an Apartment or substantially change the design, location or size of an Apartment shall be made without the consent to such amendment by all parties having an interest in such Apartment.

Prior to the time all Apartments have been sold and recorded, Developer, its successors and assigns shall have the right to designate easements for access purposes, for electrical, gas, communications and other utility purposes, and for sewer, drainage and water facilities over, under, across, along and through the Land, if necessary, and to grant to the State of Hawaii, the City and County of Honolulu, the Board of Water Supply of the City and County of Honolulu, any other appropriate governmental agency, and/or any public utility or other corporation, easements for any such purposes over, under, across, along and through the Land under the usual terms and conditions

required by the grantee of such easement rights; provided, however, that such easement rights must be exercised in such manner as to not unreasonably interfere with the use of the Land by the Apartment Owners and those claiming by, through or under the Apartment Owners.

EXHIBIT A - PAGE 2

GLS 121995 11506.1 GLS 2087 001

EXHIBIT B

DESCRIPTION OF BUILDINGS AND OTHER IMPROVEMENTS

The Project consists of two (2) apartments, Unit A and Unit B (collectively the "Apartments"), as shown on the Condominium File Plan. Each Apartment consists of the space within the boundaries shown on the Condominium File Plan, which is enclosed by the exterior perimeter walls as shown on the Condominium File Plan.

Unit A is located on the northwest portion of the Land, and is closest to 6th Avenue. Unit B is located behind Unit A, on the southeast portion of the Land. Unit A consists of an existing two-story dwelling (no basement), as shown on the Condominium File Plan. Unit A contains 7 bedrooms, 3 baths, 2 living rooms, a dining room, a kitchen, a kitchen/dining room and a laundry room. Unit B consists of an existing one-story dwelling (no basement), as shown on the Condominium File Plan. Unit B contains 3 bedrooms, 2 baths a living room, a kitchen/dining room and a laundry room. The Apartments are constructed primarily of wood and concrete.

Subject to the provisions of Article IX (Alteration of Project) of the Declaration, each Apartment has the approximate net floor area in square feet as set forth below, based on measurements taken from the interior surface of all perimeter walls as shown on the Condominium File Plan, except that no reduction is made to account for interior walls, stairways and the like located within the perimeter walls:

| <u>APT. NO. & TYPE</u> | <u>APPROX. FLOOR AREA (SQ. FT.)</u> | <u>COMMON INTEREST</u> | <u>PARKING STALLS</u> |
|--------------------------------|---|----------------------------|---------------------------|
| A | 2,822 | 0.46 | A1, A2 |
| B | 1,014 | 0.54 | B1, B2 |

All floor areas set forth below have been rounded to the next lowest full square foot.

Each Apartment has immediate access to the yard surrounding each Apartment, which is designated as a Limited Common Area on the Condominium File Plan. Each Apartment has been assigned the parking stalls designated above and on the Condominium File Plan. Each Apartment has two (2) standard parking stalls and no guest stalls.

EXHIBIT C

SPECIAL USE RESTRICTIONS - PETS

Each Apartment Owner is permitted to have no more than two (2) dogs or cats. If an Apartment Owner keeps dogs in the Limited Common Element appurtenant to such Apartment Owner's Apartment, the Apartment Owner must keep the dogs in an fenced, enclosed area or on a leash and shall use all reasonable efforts to keep the dogs from running at large in the Common Elements. Each Apartment Owner may keep an unlimited number of pets, other than dogs and cats, as long as those pets shall not include those described as pests under section 150A-2, Hawaii Revised Statutes, or animals prohibited from importation under section 141-2, 150A-5 or 150A-6, Hawaii Revised Statutes. Each Apartment Owner must control their pets and keep them from making excessive noise or causing other problems on the Project. If the Apartment Owner has agreed in writing to allow his tenants to keep a pet in the Apartment, the Apartment Owner's tenants may keep only those types of pets which may be kept by the Apartment Owners. Any Apartment Owner who keeps a pet, not prohibited in the By-laws, as of the effective date of an amendment to the By-laws which prohibits pets, may, upon the death of the pet, replace the animal with another and continue to do so for as long as the Apartment Owner continues to reside in the Apartment.

EXHIBIT D

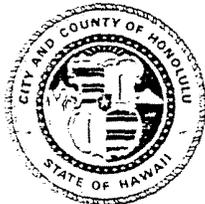
PERMITTED ALTERATIONS TO APARTMENTS

No Apartment Owner shall do any work which could jeopardize the soundness or safety of the Project, reduce the value thereof, or impair any easement or hereditament, nor may any Apartment Owner add any material structure or excavate any additional basement or cellar, without in every such case the consent of one hundred percent (100%) of the Apartment Owners being first obtained; provided that an Apartment Owner may make any nonmaterial structural additions to the exterior of his Apartment, including, without limitation, the installation of solar energy devices, or additions to or alterations made within such Apartment or within a Limited Common Element appurtenant to and for the exclusive use of the Apartment. "Nonmaterial structural additions to his Apartment," as used in this section, means a structural addition to the Apartment which does not jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement or hereditament, detract from the appearance of the Project, interfere with or deprive any other Apartment Owner of the use or enjoyment of any part of the Project or directly affect any other Apartment Owner. For purposes of this section, "solar energy device" means any new identifiable facility, equipment, apparatus, or the like which makes use of solar energy for heating, cooling, or reducing the use of other types of energy dependent upon fossil fuel for its generation; provided that if the equipment sold cannot be used as a solar device without its incorporation with other equipment, it must be installed in place and ready to be made operational in order to qualify as a "solar energy device".

EXHIBIT "E"

BUILDING DEPARTMENT
CITY AND COUNTY OF HONOLULU

HONOLULU MUNICIPAL BUILDING
650 SOUTH KING STREET
HONOLULU, HAWAII 96813



JEREMY HARRIS
MAYOR

RANDALL K. FUJIKI
DIRECTOR AND BUILDING SUPERINTENDENT

ISIDRO M. BAQUILAR
DEPUTY DIRECTOR AND BUILDING SUPERINTENDENT

Ex96-32

April 3, 1996

Mr. William W. L. Yuen
Ching, Yuen & Morikawa
A Law Partnership Including Law Corporations
Pacific Tower, Suite 2700
1001 Bishop Street
Honolulu, Hawaii 96813

Dear Mr. Yuen:

Subject: Condominium Conversion Project
731 and 731A 6th Avenue
Tax Map Key: 3-2-23: 37

This is in response to your letter dated November 21, 1995 requesting verification that the two dwellings located at the above-mentioned addresses met all applicable code requirements at the time of construction.

Investigation revealed that the one-story one-family detached dwelling and the two-story one-family detached dwelling with six off-street parking spaces met all applicable code requirements when they were constructed in 1948 and 1962.

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

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

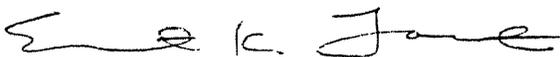
Mr. William W. L. Yuen
April 3, 1996
Page 2

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

Very truly yours,


FOR RANDALL K. FUJIKI
Director and
Building Superintendent

Subscribed and sworn to
before me this 3rd day of
April, 1996.


Notary Public, First Judicial Circuit

State of Hawaii
My commission expires: June 21, 1999

DAVID WONG
CONSULTING ENGINEER

Structural Design and Investigation

December 15, 1995

Ms. Mia Ng
Project Coordinator
Pacific Beach Hotel
2490 Kalakaua Ave.
Honolulu, HI 96815

Re: Structural use expectancy report for two residential buildings at
731-A and 731-B 6th Ave., Honolulu, T.M.K. 3-2-23:37

Dear Ms. Ng:

Per your request through the office of Koshiba & Associates, we would offer our opinions regarding the condition and expected useful life of the structural components and mechanical and electrical installations of the referenced buildings. The mechanical installations of a residential building in Hawaii consists of mainly the plumbing pipes. Our report does not cover the conditions of the portable appliances. We have made a on site visual inspection on December 15, 1995.

As our structural report indicated that both building A and B are mainly wood construction. The main destructive factors for wood structures are termites, dry rot, soil conditions and natural forces. The damages arise from termites and dry rot are preventable through proper maintenance, such as, tenting, painting, and roofing replacement. Well maintained wood structures can have life expectancy of one hundred year or more. As far as we can see both buildings have been maintained adequately. Except as previously indicated that the exterior of building B needs new coat of paint. However, Both termite and dry rot damages are minimal on both structures. It is our opinion that the life expectancy of structural components of both structures can be said to be indefinitely.

The life expectancy of a structure is also depended on the soil conditions. It affects the stability of the foundations. Painting of the CMU wall is also a good maintenance measure to prevent water penetration and deterioration of the concrete blocks. Building A has CMU walls on the first floor. Cracking of the CMU walls will be a good indication of unstable soil condition. It is our opinion that the on site soil conditions are stable, no settlements can be seen. There shall be no foreseeable problems for these structures if present soil condition is maintained.

D W C E

876 Ahukini Street, Honolulu, HI 96825 (808)395-0273

The main natural forces affect a structure on Oahu is hurricane or high winds. Our structural report has mentioned that these buildings do not meet the current Building Codes. Therefore, the life expectancy of these structures cannot be predicated due to the destructive force of hurricanes or high winds.

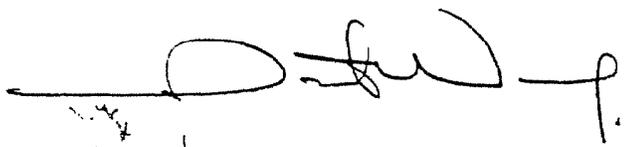
The electrical wiring of both buildings are similar. The main service wire is aluminum. The interior wires are copper with plastic insulation sheathing. The usual problem for the electrical wiring is the drying and cracking of the insulation sheathing. The interior wiring are run through the attic space. Usually the attic space is very hot, which will hasten the sheathing drying process. We did not perform a complete electrical wire check for either building. It is our opinion that usually the wiring will last approximately fifty to sixth years.

The plumbing are mainly consist of galvanized steel water pipes. Except the addition portion of building A are installed with copper pipes. Galvanized steel pipes are less corrosion resistance than copper. The exposed portion of the galvanized steel pipes appeared to be in good condition. The condition of interior surfaces of the pipes cannot be checked. It is our opinion that the life expectancy of galvanized steel pipes are also approximately fifty to sixth years.

There are many unexpected occurrences that will shorten the life expectancy of these structures, such as fire, flood, abuses, future remodel and etc. As we have mentioned before that routine maintenance must be carried out. Especially the electrical wirings (systems) shall be thoroughly checked as part of the routine maintenance to prevent electrical fire. It shall also be noted that any future remodel of these structures shall be designed and checked by a licensed professional. The life expectancies as noted on this report are only rough estimates (educated guesses), and no warranty is expressed or implied by us.

Please do not hesitate to call if you have any questions about this report. Thank you very much for using our services.

Sincerely,



David Wong, P.E.

c:\wp51\dwce\dwce6\ng-r2

cc. James E.T. Koshiba

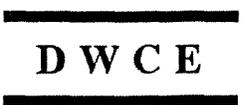


EXHIBIT G

COMMON ELEMENTS

Developer designated a freehold estate in all portions of the Project except the Apartments, as common elements (the "Common Elements"), including, but not limited to:

- (a) The Land in fee simple.
- (b) All grounds, trees, yards, gardens, and landscaping.
- (c) All sidewalks, walkways, driveways, roadways, fences and gates and all paved areas adjacent to parking stalls, sidewalks, walkways, driveways, roadways, fences and gates.
- (d) All refuse containers and trash enclosures on the grounds of the Project.
- (e) All pipes, cables, conduits, ducts, pumps, sewer lines, electrical equipment, wiring and other central and appurtenant transmission facilities and installations over, under and across the Project for services such as power, light, gas (if any), sewer, water, and telephone.
- (f) Any and all other apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use.

EXHIBIT H

LIMITED COMMON ELEMENTS

Developer designated and reserved certain parts of the Common Elements, as "limited common elements" (the "Limited Common Elements"), for the exclusive use of certain Apartments. Each Apartment shall have appurtenant thereto exclusive easements for the use of such Limited Common Elements. The Limited Common Elements shall consist of:

(a) The automobile parking stalls ("Parking Stalls") designated on Exhibit B as being appurtenant to an Apartment shall be for the exclusive use of such Apartment. The Project contains no guest parking stalls. All Parking Stalls are standard size. Parking Stalls may be transferred from one Apartment to another pursuant to Article X of the Declaration.

(b) Any entrance, exit, stairway, or ramp which would normally be used only for the purposes of ingress to and egress from an Apartment shall be a Limited Common Element appurtenant to and reserved for the exclusive use of such Apartment.

(c) The yard, landscaped and paved areas surrounding each Apartment, designated on the Condominium File Plan.

EXHIBIT I

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

| <u>Apartment</u> | <u>Monthly Fee x 12 months = Yearly Total</u> |
|------------------|---|
| A | \$51.35 x 12 = 616.20 |
| B | \$60.28 x 12 = 723.36 |

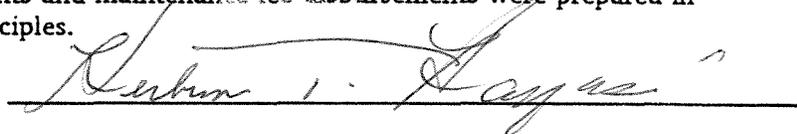
The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

Estimate of Maintenance Fee Disbursements:

Monthly x 12 months = Yearly Total

| | |
|--|-----------------------|
| Utilities and Services | -0- |
| Air Conditioning | -0- |
| Electricity | -0- |
| <input checked="" type="checkbox"/> common elements only | |
| <input type="checkbox"/> common elements and apartments | |
| Elevator | not applicable |
| Gas | -0- |
| Refuse Collection | -0- |
| Telephone | -0- |
| Water and Sewer | -0- |
| Maintenance, Repairs and Supplies | -0- |
| Building | -0- |
| Grounds | -0- |
| Management | not applicable |
| Management Fee | -0- |
| Payroll and Payroll Taxes | -0- |
| Office Expenses | -0- |
| Insurance | \$893.00 |
| Reserves(*) | \$446.50 |
| Taxes and Government Assessments | -0- |
| Audit Fees | -0- |
| Other | -0- |
| TOTAL | \$1,339.50 |

I, Herbert T. Hayashi, as agent and employed by HTH Development, Inc., ~~the condominium managing agent~~
~~or the developer~~, for the condominium project 731 6th Avenue, hereby certify that the
above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in
accordance with generally accepted accounting principles.



(*) Mandatory reserves in effect January 1, 1993

Date: August 30, 1996

EXHIBIT J

SUMMARY OF SALES CONTRACT

Buyer must pay a reservation fee of \$1,000.00 to escrow at the time the buyer executes the sales contract. On that same date, the seller will deliver a true and correct copy of the final public report. If the seller does not execute the sales contract within 10 days after the buyer executes the sales contract, the seller will return the reservation fee.

The buyer must provide the seller with evidence of the buyer's ability to make the down payment and the remainder of the purchase price within 5 days of receiving a copy of the final public report.

If the buyer cancels the sales contract within 30 days of receiving a copy of the final public report, the seller will refund the reservation fee less any escrow cancellation fees or other costs. These escrow cancellation fees and other costs shall not exceed \$250.00.

If the buyer does not cancel the sales contract within 30 days of receiving a copy of the final public report, the buyer shall pay the down payment (10% of the purchase price) to escrow.

If any of the following events occur, the seller may void the sales contract and refund all monies paid by the buyer or the buyer's check may be returned to the buyer, less any cancellation fee imposed by Escrow based on work performed by escrow, of a minimum of \$25.00, but not to exceed \$250.00, and any other actual expenses incurred by the seller:

(a) the buyer's check for the payment of the reservation fee is returned for insufficient funds;

(b) the buyer fails to furnish to the seller a financial statement and loan application within the 5-day period;

(c) the buyer fails to obtain a binding written commitment for the buyer's loan within thirty (30) days from the date the seller furnishes a copy of the final public report;

(d) any material discrepancies are discovered between the financial information furnished by the buyer and the buyer's actual financial condition.

At the time the buyer pays the down payment to escrow, the buyer and the seller shall establish a closing date. If the buyer shall pay the remainder of the purchase price in the buyer's own available funds, the closing date shall be no later than 30 days after the date the buyer receives a copy of the final public report. If the buyer shall pay the remainder of the purchase price with the proceeds of a loan, the closing date shall be no later than 30 days after the buyer obtains a binding written commitment for the buyer's mortgage loan.

EXHIBIT K

SUMMARY OF ESCROW AGREEMENT

Escrow will hold all payments made by the buyers to the seller under a sales contract. Escrow will call for any payments that are due under the sales contract upon written notice from the seller.

If the buyer shall cancel the sales contract, escrow will refund the buyer's funds to the buyer less escrow's cancellation fee of a minimum of \$25.00 and a maximum of \$250.00.

If the buyer shall default under the sales contract and the seller has certified to escrow that the seller has cancelled the sales contract, escrow shall treat the funds paid into escrow by the buyer as the funds of the seller, less escrow's cancellation fee of a minimum of \$25.00 and a maximum of \$250.00.

All funds shall remain in escrow until conveyance of the apartment. At that time, escrow shall use a portion of the funds for payment of all escrow fees and shall disburse the remainder to the seller. Escrow's fee for the sale of Unit A of the condominium shall be \$1,071.00. Escrow's fee for the sale of Unit B of the condominium shall be \$930.00.

[END OF EXHIBIT K]

EXHIBIT L

ENCUMBRANCES AGAINST TITLE

5. Title to all minerals and metallic mines reserved to the State of Hawaii.

6. Condominium Map No. 2399, filed in the Bureau of Conveyances of the State of Hawaii.

7. Covenants, conditions, restrictions, reservations, agreements, obligations, provisions and easements set forth in the Declaration of Condominium Property Regime dated April 11, 1996, recorded May 9, 1996, in the Bureau of Conveyances of the State of Hawaii as Document No. 96-064627.

8. Terms and provisions contained in the By-laws of the Association of Apartment Owners of 731 6th Avenue, dated --, recorded May 9, 1996, in the Bureau of Conveyances of the State of Hawaii, as Document No. 96-064628.

9. Any and all covenants, conditions, restrictions and easements encumbering the apartment mentioned in said Declaration, and/or the common interest appurtenant thereto, as created by or mentioned in said Declaration, and/or as delineated on Condominium Map 2399.

[END OF EXHIBIT L]

If the buyer fails to close, the seller shall have the option to:

(a) instruct escrow to record the deed and disburse the sales proceeds to the seller; or

(b) terminate the sales contract and retain the reservation fee and down payment as liquidated damages.

[END OF EXHIBIT J]