

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Hoaloha Ventures, Incorporated, 810-K N. Kalaheo, Kailua, HI 96734  
Mark Stephen Davis and Jane Cassell Davis  
Address 3502 Woodlawn Drive, Honolulu, Hawaii 96822

Project Name(\*): 526/528 N. KALAHEO  
Address: 526/528 N. Kalaheo, Kailua, Hawaii 96734

Registration No. 3658 (Partial Conversion)

Effective date: December 13, 1996  
Expiration date: January 13, 1998

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 governmental 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  
          (yellow)               has filed with the Real Estate Commission minimal information  
                                  sufficient for a Preliminary Public Report. A Final Public  
                                  Report will be issued when complete information is filed.

  X   **FINAL:**                   The developer has legally created a condominium and has filed  
          (white)               complete information with the Commission.

- [ X ] No prior reports have been issued
- [   ] Supersedes all prior public reports
- [   ] Must be read together with \_\_\_\_\_

       **SUPPLEMENTARY:**       Updates information contained in the  
          (pink)               [   ] Prelim. Public Report dated \_\_\_\_\_  
                                  [   ] Final Public Report dated \_\_\_\_\_  
                                  [   ] Supp. 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:

[ X ] Required [ ] Not Required - disclosures covered in this report.  
and attached herein as Exhibit H

**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.

[ X ] No prior reports have been issued by the Commission.

[ ] Changes made are as follows:

**SPECIAL ATTENTION**

The Developer has disclosed the following:

- (a) This is a CONDOMINIUM PROJECT, not a subdivision. The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and does not represent a legally subdivided lot. The dotted lines in the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustration purposes only and should not be construed to be formal subdivision lines.
- (b) No warranties are given to the purchaser as to the construction, materials or workmanship of Unit 526. Unit 526 is being sold in "as is" condition (pages 12 and 15).

This public report does not constitute approval of the Project by the Real Estate Commission or any other governmental agency, nor does it ensure that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.

THE PROSPECTIVE PURCHASERS ARE CAUTIONED TO CAREFULLY REVIEW ALL DOCUMENTS REGARDING THIS CONDOMINIUM PROJECT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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## General Information on Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged, or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

## Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PEOPLE CONNECTED WITH THE PROJECT

Developer: Mark Stephen Davis and Jane Cassell Davis

Phone: (808) 524-5055

Name

(Business)

3502 Woodlawn Drive

-and- Hoaloha Ventures, Incorporated

Business Address

810-K N. Kalaheo Avenue

Honolulu, Hawaii 96822

Kailua, Hawaii 96734

Phone: (808) 261-1948

(Business)

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

Hoaloha Ventures, Incorporated: Paul D. Sullivan - President

Karen L. Sullivan - Vice President

Real Estate

Broker: Carvill & Company (as to Unit 528 only)

Phone: (808) 263-5900

Name

(Business)

109 Hekili Street, Suite D

Business Address

Kailua, HI 96734

Escrow: First American Title Company of Hawaii, Inc.

Phone: (808) 261-8567

Name

(Business)

116 Hekili Street, Suite A

Business Address

Kailua, Hawaii 96734

General

Contractor: Funke & Associates, Inc.

Phone: (808) 236-4337

Name

(Business)

44-110 Malulani Place

Business Address

Kaneohe, Hawaii 96744

Condominium

Managing

Agent: Self-Managed by the Association

Phone: \_\_\_\_\_

Name

(Business)

of Apartment Owners

Business Address

Attorney for

Developer: Jeffrey S. Grad, Esq.

Phone: (808) 521-4757

Name

(Business)

841 Bishop Street, Suite 1800

Business Address

Honolulu, Hawaii 96813

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

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

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

The Declaration for this condominium is:

- Proposed
- Recorded - Bureau of Conveyances - Document No. \_\_\_\_\_  
Book \_\_\_\_\_ Page \_\_\_\_\_
- Filed - Land Court - Document No. 2324191

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

- Amendment No. 1 to Declaration dated October 18, 1996, filed as Document No. 2344366
- Amendment No. 2 to Declaration dated December 3, 1996, filed as Document No. 2352510

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

The Condominium Map for this condominium project is:

- Proposed
- Recorded - Bureau of Conveyances Condo Map No. \_\_\_\_\_
- Filed - Land Court Condo Map No. 1159

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

- Amendment No. 1 dated October 18, 1996, filed as Document No. 2344366

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. \_\_\_\_\_
- Filed - Land Court Condo Map No. 2324192

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 individual apartments. 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.

**See attached Exhibit "A"**

III. THE CONDOMINIUM PROJECT

**A. Interest to be Conveyed to Buyer:**

[ X ] Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.

[ ] Leasehold or Subleasehold: Individual apartments and the common elements, which includes 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 Apartment in Fee Simple; Common Interest in the Underlying Land in Leasehold or Subleasehold:

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

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

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

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

Lease Rent Payable: [ ] Monthly [ ] Quarterly  
[ ] Semi-Annually [ ] Annually

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

[ ] Other:

**IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS**

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

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

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

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

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

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

**B. Underlying Land:**

Address: 526 & 528 N. Kalaheo Tax Map Key: (1) 4-3-18-7  
Kailua, Hawaii 96734 (TMK)

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

Land Area: 29,505 [ X ] square feet [ ] acre(s) Zoning: **R-10**

Fee Owner: Mark Stephen Davis and Jane Cassell Davis  
Name

Hoaloha Ventures, Incorporated  
810-K N. Kalaheo Avenue  
Kailua, Hawaii 96734

3502 Woodlawn Drive  
Address

Honolulu, Hawaii 96822

Sublessor: \_\_\_\_\_  
Name

\_\_\_\_\_  
Address

**C. Buildings and Other Improvements:**

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

2. Number of Buildings: 2 Floors Per Building Unit 526: 2  
Unit 528: 2

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

3. Principal Construction Material:

Concrete                       Hollow Tile                       Wood

Other \_\_\_\_\_

4. Permitted Uses by Zoning:

	No. of <u>Apts.</u>	Use Permitted <u>By Zoning</u>	No. of <u>Apts.</u>	Use Determined <u>By Zoning</u>
<input checked="" type="checkbox"/> Residential	<u>2</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

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

5. Special Use Restrictions:

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

- Pets: Permitted in reasonable number
- Number of Occupants: \_\_\_\_\_
- Other: \_\_\_\_\_
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators -0- Stairways Units 526 & 528: 1 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>
<u>Unit 526</u>	<u>1</u>	<u>4/3</u>	<u>2,177</u>	<u>Lanais: 720</u> <u>Garage: 449</u>
<u>Unit 528</u>	<u>1</u>	<u>4/2-1/2</u>	<u>3,078</u>	<u>Lanais &amp; Deck: 1,130</u> <u>Garage: 523</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 2

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

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

The outside surfaces of the exterior walls and roof and the bottom surfaces of the footings and foundations of each Dwelling.

Permitted Alterations to Apartments:

**See attached Exhibit "B"**

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 units)	<u>2</u>	<u>2</u>	_____	_____	_____	_____	<u>8</u>
Guest Unassigned	_____	_____	_____	_____	_____	_____	_____
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other:	_____	_____	_____	_____	_____	_____	_____
Total Covered & Open	<u>8</u>	_____	_____	_____	_____	_____	_____

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

- Commercial parking garage permitted in condominium project.
- Exhibit \_\_\_\_\_ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

- There are no recreational or common facilities.
- Swimming pool     Storage Area     Recreation Area
- Laundry Area     Tennis Court     Trash Chute
- Other: \_\_\_\_\_

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

- There are no violations.     Violations will not be cured.
- Violations and cost to cure     Violations will be cured by \_\_\_\_\_ are listed below.

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):

The present condition of all structural components and mechanical and electrical installation material to the use and enjoyment of the apartments appears to be good. No warranty is made as to the expected useful life of the Project.

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     C    .

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.

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

[ X ] described in Exhibit D

[ ] as follows:

**Note:** Reference in said Exhibit D to "Dwelling Areas" 526 and 528 does not mean legally subdivided lots.

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 \_\_\_\_\_.

[ X ] as follows:

Unit 526 - 40%  
Unit 528 - 60%

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 E describes the encumbrances against the title contained in the title report dated October, 1996 and issued by First American Title Insurance Company.

Blanket Liens:

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

- [ ] There are no blanket liens affecting title to the individual apartments.  
[ x ] There are blanket liens which may affect title to the individual apartments.

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
<b>Mortgages</b>	<b>Buyer's interest may be terminated by mortgagee but Buyer shall be entitled to return of his deposit less escrow cancellation fees.</b>

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:**

**Purchaser understands that Unit 526 was built in the early 1970's and renovated in 1996. Seller is selling Unit 526 together with the appliances and other personal property in "as is" condition. The Seller is giving no warranties to Purchaser with respect to the construction, materials or workmanship of Unit 526.**

**Developer is making a one year warranty from the date of substantial completion on the materials and workmanship of Unit 528.**

2. **Appliances:**

**Purchaser shall have the direct benefit of any manufacturer's or dealer's warranties covering the furnishings and appliances in the Apartments.**

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

Unit 526 was constructed in the early 1970's and renovated in 1996.  
Unit 528 was constructed in 1996.

**H. Project Phases:**

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

Summary of Developer's plans or right 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 of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

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

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

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

**B. Estimate of Initial Maintenance Fees:**

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

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

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

See attached Disclosure Abstract (Exhibit H)

**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       Electricity       Gas    Water
- Sewer       Television Cable    Other \_\_\_\_\_

**A. Sales Documents Filed With the Real Estate Commission:**

Sales documents on file with the Real Estate Commission include but are not limited to:

[ ] Notice to Owner Occupants

[ X ] Specimen Sales Contract

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

[ X ] Escrow Agreement dated December 3, 1996

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

[ ] Other \_\_\_\_\_

**B. Buyer's Right to Cancel Sales Contract:**

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

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

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

Final Report, 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 condominium which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; AND

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. these include but are not limited to the:

- A) Condominium Public Reports issued by the Developer which have been given an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners.
- D) House Rules (none).
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Law (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 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. 3658 filed with the Real Estate Commission on November 14, 1996.

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

[ ] yellow paper stock      [ X ] white paper stock      [ ] pink paper stock

C. Additional Information Not Covered Above

SPECIAL NOTATION

The specimen Sales Contract provides in part that Purchaser understands Unit A is being sold in "as is" condition. The existence of any defect in Unit 526 or anything installed thereon shall not excuse the Purchaser's obligation to perform all of his obligations under his contract.

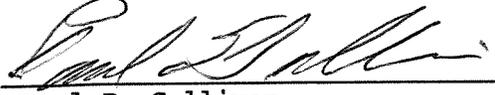
The Specimen Sales Contract further states that the Purchasers will not have any right to file any lawsuit for damages against the Seller for any defects in Unit 526 or in the Project.

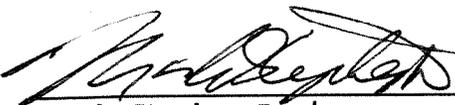
Pursuant to sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that Developer/Owner Jane C. Davis, RS25405, is a current and inactive Hawaii-licensed real estate salesperson. Pursuant to section 16-99-11(c), HAR, "(n)o licensee shall be allowed to advertise 'For Sale by Owner', 'For Rent by Owner', 'For Lease by Owner', 'For Exchange by Owner'."

1. 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.

**Hoaloha Ventures, Incorporated -and-  
Mark Stephen Davis and Jane Cassell Davis**  
\_\_\_\_\_  
Name of Developer

Hoaloha Ventures, Incorporated

By  Oct. 18, 1996  
Date  
Paul D. Sullivan  
Its President  
Duly Authorized Signatory

By  \_\_\_\_\_  
Date  
Mark Stephen Davis  
Duly Authorized Signatory

\_\_\_\_\_  
**Paul D. Sullivan and Mark Stephen Davis**  
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 RESERVED RIGHTS

The Developer (Declarant) has reserved the following rights to change the Declaration, Condominium Map, By-Laws or House Rules:

1. Paragraph 20 of the Declaration states:

"Except as otherwise provided herein, this Declaration may be amended by vote of seventy-five percent (75%) of the Unit Owners, effective only upon the recording of an instrument setting forth such amendment and vote duly executed by such Owners or by the proper officers of the Association.

In addition, the approval of eligible holders of first mortgages on Units to which are appurtenant at least 51% of the common interest of the project shall be required for any material amendment to the Declaration or any amendment of a provision for the express benefit of holders or insurers of first mortgages on Units. An eligible holder is a holder of a first mortgage on a Unit which has made a written request to the Association that it receive notices of proposed changes to the Declaration. A material amendment to the Declaration is one which establishes, provides for, governs or regulates any of the following: (1) voting; (2) assessments, assessment liens, or subordination of such liens; (3) reserves for maintenance, repair and replacement of the common elements; (4) insurance or fidelity bonds; (5) rights to use of the common elements; (6) responsibility for maintenance and repair of the project; (7) expansion or contraction of the project for the addition, annexational or withdrawal of property to or from the project; (8) boundaries of any Unit; (9) the interest in the common elements; (10) convertibility of Units into common elements or of common elements into Units; (11) leasing of Units; (12) imposition of any right of first refusal or similar restriction on the right of a Unit Owner to sell, transfer or otherwise convey his or her interest in the Unit; or (13) establishment of self management by the Association after professional management has previously been required by any of the mortgage holders.

Notwithstanding the foregoing, however, if (1) at any time prior to the first filing in the Recording Office of a conveyance of a Unit, the Declarant may amend this Declaration (including all exhibits) and the By-Laws in any manner, without the consent of any Unit purchaser; and (2) at any time thereafter, the Declarant may amend this Declaration (and when applicable, the Condominium Map) to file the "As Built" verified statement required by Section 514A-12 of the Act (i) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plan thereto filed fully and accurately depicts layout, location, apartment numbers, and the dimensions of an improvement or change

in a Unit as built; or (ii) so long as the plans filed therewith involve only immaterial changes to the layout, location, or dimensions of the apartments as built or any change in any apartment number.

Notwithstanding the foregoing, a Unit Owner shall have the right without the consent or joinder of any other person to amend this Declaration and the Condominium Map to reflect the changes made to his Unit in accordance with Paragraph 19.1 of this Declaration. Promptly upon completion of such changes, the Unit Owner shall duly record with the Recording Office an amendment to this Declaration and to the Condominium Map, together with a complete set of the floor plans of the Project as so altered, certified as built by a registered architect or professional engineer. All existing Unit Owners and all future Unit Owners and their mortgagees, by accepting an interest in a Unit, shall be deemed to have given each Unit Owner a Power of Attorney to execute an amendment to the Declaration solely for the purpose of describing the changes to his respective Unit on the Declaration so that each Unit Owner shall hereafter have a Power of Attorney from all the other Unit Owners to execute such amendment to the Declaration. This Power of Attorney shall be deemed coupled with each Owner's interest in his Unit (including his common interest) and shall be irrevocable."

EXHIBIT "B"

PERMITTED ALTERATIONS TO APARTMENTS.

1. Paragraph 19.1 of the Declaration states:

"Each Unit owner, with the consent of any holder of any mortgage affecting the owner's Unit, shall have the right at his sole option at any time and from time to time without the consent of anyone other than the holders of all liens affecting his Unit, to improve, renovate, remodel, make additions to, enlarge, remove, replace or restore the improvements to or in his Unit or portions thereof or to make improvements upon the Dwelling Area appurtenant to the Unit (collectively, the foregoing are referred to "changes") subject to the following conditions:

(a) All building plans for any such changes shall be prepared by a licensed architect or professional engineer.

(b) Any change to a Unit must be made within the Dwelling Area which is appurtenant to the Unit.

(c) No change to a Unit will be made if the effect of such change would be to exceed the Unit's proportionate share of the allowable floor area or Lot area coverage for the Land, or number of dwelling units, as defined by the zoning and building codes applicable to the Land in effect when the change is to be made. The proportionate share for each Unit shall be the same as its percentage of undivided interest in the common elements.

(d) All newly-constructed improvements (exclusive of fences or walls) shall be setback a minimum of 10 feet from the boundary lines separating the limited common element Dwelling Areas, provided that in no event shall such setback be any less than as may be required by applicable zoning ordinances;

(e) The height of any structure to be built or any landscaping to be planted on that portion of Unit 528 N. Kalaheo Dwelling Area being within forty-five (45) feet of the "Lanikai" boundary of the Land shall be no greater than thirteen (13) feet above the elevation of the existing grade; provided, however, that any existing structure or landscaping which exceeds the height of thirteen (13) feet above the elevation of the existing grade, may remain at its present height; and provided further that the height of such structure may not be further increased or any portion of such structure enlarged in such a way that its height would be increased above the thirteen (13) foot height limitation.

(f) All such changes shall be at the expense of the Unit Owner making the change and shall be expeditiously made and in a manner that will not unreasonably interfere with the other Unit Owner's use or enjoyment of his Unit, the common elements or the Unit's appurtenant limited common elements.

(g) During the entire course of such construction, the Unit Owner making such change will cause to be maintained at his expense builder's all-risk insurance in an amount not less than the estimated cost of construction. The Association shall be named as an additional insured and, upon the request of the Association, evidence of such insurance shall be deposited with the Association or its Managing Agent, if any;

(h) The Owner of the changed Unit shall have the right to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for services to the Unit affected by such change for electricity, sewer and other utilities and services and when applicable, to add, delete, relocate, realign, designate and grant easement and rights-of-way over, under and on the common elements as necessary or desirable in connection therewith; provided that the same shall not cause any interruption in the service of such utilities to any other part of the project;

(i) If the consent or joinder of another Owner is required by the Act, then each Owner hereby consents in advance to such change.

(j) Each and every conveyance, lease and mortgage or other lien made or created on any Unit and all common interests and other appurtenances thereto shall be subject to the provisions of this paragraph and any lease of a Dwelling Area shall reserve to all Owners the rights set forth in this paragraph."

EXHIBIT "C"

COMMON ELEMENTS. Paragraph 4 of the Declaration designates certain portions of the Project as "common elements", including specifically but not limited to:

1. The Land in fee simple;
2. All other portions of the Land and improvements not specifically heretofore designated as Units, but which are intended for common use and all other devices and installations existing for or rationally of common use or necessary to the existence, upkeep and safety of the Condominium Property Regime.

EXHIBIT "D"

LIMITED COMMON ELEMENTS. Paragraph 5 of the Declaration designates:

Certain parts of the common elements, herein called the "Limited Common Elements", are hereby designated and set aside for the exclusive use of each Dwelling, and each Dwelling shall have appurtenant thereto exclusive easements for the use of such limited common elements. Unless otherwise specified, all costs of every kind pertaining to each limited common element, including, but not limited to, costs of landscaping, maintenance, repair, replacement and improvement, shall be borne immediately by the Dwelling to which it is appurtenant. The limited common elements so set aside and reserved are as follows:

(a) The site on which Unit 526 is located, consisting of the land beneath and immediately adjacent to Unit 526, as shown and delineated on the Condominium Map as "Dwelling Area 526" (including the airspace above such site) is for the exclusive benefit of Unit 526.

(b) The site on which Unit 528 is located, consisting of the land beneath and immediately adjacent to Unit 528, as shown and delineated on the Condominium Map as "Dwelling Area 528" (including the airspace above such site) is for the exclusive benefit of Unit 528.

Note: The "Dwelling Areas" herein described are not legally subdivided lots.

EXHIBIT "E"

ENCUMBRANCES AGAINST TITLE

1. For Real Property Taxes that may be due and owing, reference is made to the Office of the Tax Assessor, City and County of Honolulu.

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

3. Shoreline setback lines as they may be established by the State Land Use Commission or by the County pursuant to Sections 205-31 to 37 inclusive of the Hawaii Revised Statutes.

4. AS TO THE UNDIVIDED (1/3RD) INTEREST IN LOT 313 ONLY:

The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Deed dated April 18, 1973, filed in said Office as Document No. 718465, but omitting any covenant or restriction based on race, color, religion, sex, handicap, familial status or national origin, unless and only to the extent that said covenant (i) is exempt under Chapter 42, Section 3607 of the United States Code or (ii) relates to handicap but does not discriminate against handicapped persons.

5. Terms and provisions of that certain Encroachment Agreement and Temporary License made by and between Jane George Linsenmeyer, and Gregory Charles Gillette, and Nancy Ellen Gillette, all as Trustees, dated November 26, 1993, filed as aforesaid as Document No. 2095285.

6. Mortgage dated July 15, 1996, filed in said Office as Document No. 2324194, in favor of GE Capital Hawaii, Inc., a Hawaii corporation.

7. Mortgage dated September 6, 1996, filed in said Office as Document No. 2335141, in favor of GE Capital Hawaii, Inc., a Hawaii corporation.

8. Mortgage dated July 26, 1996, filed in said Office as Document No. 2329623, in favor of Edmund Burke and Martha B. Burke, husband and wife.

9. Subordination Agreement dated September 6, 1996, filed in said Office as Document No. 2335142.

10. Mortgage dated July 15, 1996, filed in said Office as Document No. 2324196, in favor of GE Capital Hawaii, Inc., a Hawaii corporation.

11. Declaration of Condominium Property Regime dated July 11, 1996, filed in said Office as Document No. 2324191 (Project covered by Condominium Map No. 1159). Amendment No 1 to Declaration filed as Document No. 2344366. By-Laws dated June 19, 1996, recorded as Document No. 2324192.

EXHIBIT "F"

SUMMARY OF THE PROVISIONS OF THE RESERVATION AND SALES AGREEMENT ("Sales Agreement")

1. Description of the Property to be Conveyed: Fee simple title to the Dwelling and an undivided interest 25% in the common elements.

2. Purchase Price and Terms. The purchase price set forth on page 3 of the Sales Agreement is to be paid as follows:

a. An initial deposit;

b. The balance of the purchase price (due 1 day before the scheduled closing date.

3. Financing of Purchase. Sub-paragraph V.B-2(b) (Page 8) of the Sales Agreement provides if Buyer desires financing, the Buyers must have a loan application within ten (10) business days after Seller signs the Sales Agreement. If Buyer's application is rejected or not approved within thirty (30) days after the application (assuming it is filed timely) or if Seller is not satisfied with Buyer's ability to buy without financing, then in either event, Seller (but not Buyer) may cancel the Sales Contract. Upon such cancellation, Buyer's deposits (less escrow cancellation fee and costs of the Seller) will be refunded by escrow without interest.

4. Closing Costs. At closing, the Buyer is required to pay all escrow fees, all notary fees, all conveyance taxes, all appraisal fees, all recording fees, all costs of preparing any mortgages or notes and all title insurance costs. Buyer will also pay a start-up fee and two months advance maintenance fees.

5. Closing. The closing date will be set by Seller alone. However, Seller shall give Buyer at least ten (10) days prior notice. Closing date will not be any earlier than ten (10) days after Seller signs the Sales Agreement and Seller may postpone closing for up to thirty (30) days.

6. Seller's Rights to Cancel Sales Contract. The Seller may cancel the Sales Contract with the Buyer if (a) Buyer fails to qualify for a loan if Buyer is seeking a loan; (b) Seller is not satisfied with Buyer's ability to pay cash for the Apartment if Buyer is not selling a loan; (c) Buyer defaults under the Sales Contract; or (d) Buyer transfers his rights in the Sales Agreement without consent of Seller; or (e) Buyer dies before closing.

7. Seller's rights on Buyer's default. Pursuant to Sub-paragraph V.G-2 of the Sales Agreement, if Buyer fails to make any required payment or perform other obligations, then the Seller may cancel the Sales Contract and keep all sums previously paid by Buyer as liquidated damages. Additionally, Seller may

pursue any other remedy, and all costs, including reasonable attorney's fees, incurred by reason of default by the Buyer shall be borne by the Buyer. Time is considered to be the essence of the Sales Agreement.

8. No Present Transfer and Subordination to Construction Loan.

The Sales Contract provides that it does not transfer any interest in the Property to the Buyer. It further provides that it may be subject to existing or future loans made by the Seller, and any security interest now or hereafter obtained by a Lender whose interest is or will be prior and senior to any rights arising under the Sales Contract. Buyer is obligated to subordinate the purchaser's right under the Sales Contract to loans now or hereafter made by the Seller, as set forth in Sub-paragraph V.A-5 of the Sales Agreement.

9. Rights of Buyer to Cancel the Sales Contract. The Buyer has the right to cancel the Sales Contract if Seller fails to perform its obligations under the Sales Agreement. Buyer's only other remedy will be to seek specific performance requiring Seller to sell the Apartment to the Buyer.

10. Project Documents. Paragraph 10 of the Sales Agreement provides that the Buyer acknowledges that the Buyer has examined (and agrees to be bound) by the following:

- (a) The plans and specifications for the Project;
- (b) Escrow Agreement;
- (c) The Declaration of Condominium Property Regime, By-Laws of the Association of Apartment Owners;
- (d) The form of Apartment Deed; and
- (e) The Final or Supplementary Public Report.

EXHIBIT "G"

SUMMARY OF THE MATERIAL PROVISIONS OF THE ESCROW AGREEMENT

Summary of the Condominium Escrow Agreement between the Developer and First American Title Company of Hawaii, Inc..

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

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT "H"

DISCLOSURE ABSTRACT

1. (a) PROJECT: 526/528 N. KALAHEO  
526/528 N. Kalaheo  
Kailua, Hawaii 96734
- (b) DEVELOPER: Hoaloha Ventures, Incorporated  
810-K N. Kalaheo  
Kailua, Hawaii 96734  
Telephone: (808) 261-1948  
-and-  
Mark S. and Jane C. Davis  
3502 Woodlawn Drive  
Honolulu, Hawaii 96822  
Telephone: (808) 524-7500
- (c) MANAGING AGENT: Self-Managed by the Association  
of Apartment Owners
2. Breakdown of annual maintenance fees and monthly estimate costs for each unit are more fully described on Exhibit "1" attached hereto (revised and updated every twelve (12) months and certified to have been based on generally accepted accounting principles).
3. DESCRIPTION OF ALL WARRANTIES COVERING THE UNITS AND COMMON ELEMENTS:  
  
The Developer is not making any warranties relating to the materials and workmanship of Unit 526. The Developer is making a one year warranty from the date of substantial completion on the materials and workmanship of Unit 528.
4. USE OF UNITS. The 526/528 N. KALAHEO Condominium Project will consist of two (2) unit(s) which will be used for residential purposes by the respective owners thereof, their tenants, families and domestic servants and social guests, and for no other purpose.
5. EXISTING STRUCTURES BEING CONVERTED. Based upon a report prepared by JAMES MATICHUK, Registered Professional Architect, the Developer states as to Unit 526:
  - a. The present conditions of all structural components and mechanical and electrical installation material to the use and enjoyment of Unit 526 appears to be good.
  - b. The Developer makes no statement with respect to the expected useful life of each item set forth in paragraph (a); and
  - c. There are no outstanding notices of uncured violations of building code or other municipal regulations.

EXHIBIT "1"  
ESTIMATED OPERATING EXPENSES  
For Period September 1, 1996 to August 31, 1997  
As Prepared by Developer

Estimated Annual Expenses

Ground Maintenance and	
*Water/Sewer/Electricity:	\$-0-
**Fire/Liability Insurance:	\$-0-
Management Fee:	\$-0-
Miscellaneous:	\$-0-
<b>TOTAL ANNUAL EXPENSES</b>	<b>\$-0-</b>

Estimated Monthly Expenses

\$-0-

Estimated Monthly Maintenance Fee for Each Apartment:

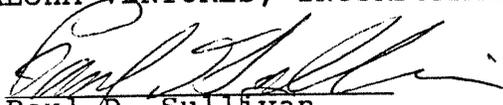
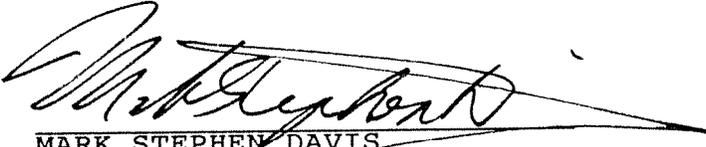
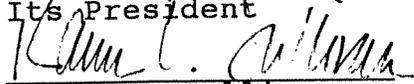
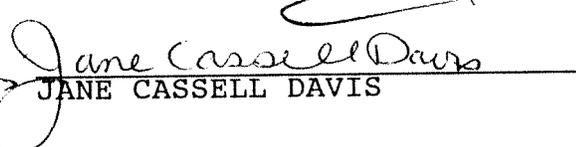
Estimated Monthly Expenses:	\$-0-
<b>TOTAL MONTHLY MAINTENANCE FEE FOR EACH APARTMENT:</b>	<b>\$-0-</b>

Note: \* All utilities will be separately metered or otherwise charged, and the common elements will incur no separate utility charges.

\*\* Section 514A-86, Hawaii Revised Statutes, requires the Association of Apartment Owners to purchase fire insurance to cover the improvements of the Project, and that premiums be common expenses. Developer anticipates that the Association will elect to permit individual apartment owners to obtain and maintain separate policies of fire insurance and name the Association as an additional insured. In such case, fire insurance premiums will be the responsibility of individual apartment owners and not common expenses.

The Developer certifies that the maintenance fees and costs as estimated by the Developer is based on generally accepted accounting principles.

HOALOHA VENTURES, INCORPORATED

By 	
Paul D. Sullivan Its President	MARK STEPHEN DAVIS
By 	
Karen L. Sullivan Its Vice President	JANE CASSELL DAVIS

"Developer"