

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer OSCAR W. CHANDLER and JOYCE A. CHANDLER
Address 44-101 Kalenakai Place, Kaneohe, Hawaii 96744

Project Name(*): KALENAKAI RESIDENCE
Address: 44-101 Kalenakai Place, Kaneohe, Hawaii 96744

Registration No. 3674

Effective date: June 10, 1997
Expiration date: July 10, 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:

Required Not Required - disclosures covered in this report.
and attached hereto 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.

No prior reports have been issued by the Commission.
 Changes made are as follows:

<p><u>SPECIAL ATTENTION</u></p> <p>The Developer has disclosed the following:</p> <p>(a) This is a CONDOMINIUM PROJECT, <u>not</u> a subdivision. The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and does <u>not</u> 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.</p> <p>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.</p> <p>THE PROSPECTIVE PURCHASERS ARE CAUTIONED TO CAREFULLY REVIEW ALL DOCUMENTS REGARDING THIS CONDOMINIUM PROJECT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.</p>
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TABLE OF CONTENTS

	page
Preparation of this Report	1
Expiration Date of Reports	1
Type of Report	1
Disclosure Abstract	2
Summary of Changes from Earlier Public Reports	2
Table of Contents	3
General Information on Condominiums	4
Operation of the Condominium Project	4
I. PEOPLE CONNECTED WITH THE PROJECT	6
Developer Attorney for Developer General Contractor	
Real Estate Broker Escrow Company Condominium Managing Agent	
II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS	
A. Declaration	6
B. Condominium Map (File Plan)	6
C. Bylaws	6
D. House Rules	7
E. Changes to Condominium Documents	7
III. THE CONDOMINIUM PROJECT	
A. Interest to be Conveyed to Buyer	8
B. Underlying Land	9
C. Buildings and Other Improvements	10
D. Common Elements, Limited Common Elements, Common Interest	13
E. Encumbrances Against Title	14
F. Construction Warranties	15
G. Status of Construction	16
H. Project Phases	16
IV. CONDOMINIUM MANAGEMENT	
A. Management of the Common Elements	17
B. Estimate of Initial Maintenance Fees	17
C. Utility Charges for Apartments	17
V. MISCELLANEOUS	
A. Sales Documents Filed with the Real Estate Commission	18
B. Buyer's Right to Cancel Sales Contract	18
C. Additional Information Not Covered Above	20
D. Signature of Developer	21
EXHIBIT A: Developer's Reserved Rights	
EXHIBIT B: Permitted Alterations to Apartments	
EXHIBIT B-1: Summary of Developer's Right to Subdivide Land and Remove from Condominium Property Regime	
EXHIBIT C: Common Elements	
EXHIBIT D: Limited Common Elements	
EXHIBIT E: Encumbrances Against Title	
EXHIBIT F: Summary of the Provisions of the Sales Contract	
EXHIBIT G: Summary of the Provisions of the Escrow Agreement	
EXHIBIT H: Disclosure Abstract	

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: Oscar W. Chandler and Joyce A. Chandler Phone: (808) 247-2211
Name (Business)
44-101 Kalenakai Place
Business Address
Kaneohe, Hawaii 96744

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

Real Estate
Broker: Coldwell Banker Pacific Properties, Ltd. Phone: (808) 944-1888
Name (Business)
1909 Ala Wai Blvd., Suite C-2
Business Address
Honolulu, Hawaii 96815

Escrow: First American Title Co. of Hawaii Phone: (808) 524-4050
Name (Business)
923 Nuuanu Avenue
Business Address
Honolulu, Hawaii 96817

General
Contractor: Vikingcraft, Inc. Phone: (808) 395-4044
Name (Business)
1033 Kalapaki Street
Business Address
Honolulu, Hawaii 96825

Condominium
Managing
Agent: Self-Managed by the Association Phone: _____
Name of Apartment Owners (Business)
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. 96-164267
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]:

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. 2489
- Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

- Proposed
- Recorded - Bureau of Conveyances - Document No. 96-164268
- Filed - Land Court Condo Map No. _____

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

D. House Rules. The Board of Directors may adopt house rules to govern the use and operation of the common elements and 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>Majority of the Board</u>

* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. Developer:

- No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules.

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: 44-101 Kalenakai Place Tax Map Key: (1) 4-4-17-34
Kaneohe, Hawaii 96744 (TMK)

Address TMK is expected to change because _____

Land Area: 31,244 square feet acre(s) Zoning: **R-5 & P-1**

Fee Owner : Oscar W. Chandler and Joyce A. Chandler
Name

44-101 Kalenakai Place
Address

Kaneohe, Hawaii 96744

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: 3 Floors Per Building Units A & B: 2
[] Exhibit _____ contains further explanations.

3. Principal Construction Material:

- [] Concrete [] Hollow Tile [X] 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>
[X] Residential	<u>2</u>	[X] Yes [] No [] Ohana	_____	[] Yes [] No
[] Commercial	_____	[] Yes [] No [] Industrial	_____	[] Yes [] No
[] Mix Res/Comm	_____	[] Yes [] No [] Agricultural	_____	[] Yes [] No
[] Hotel	_____	[] Yes [] No [] Recreational	_____	[] Yes [] No
[] Timeshare	_____	[] Yes [] No [X] Other-storage	<u>1</u>	[X] Yes [] No

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

- [X] Pets: Permitted in reasonable number
- [] Number of Occupants: _____
- [] Other: _____
- [] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

		Units A & B:			
Elevators	<u>-0-</u>	Stairways	<u>-1-</u>	Trash Chutes	<u>-0-</u>
<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>	<u>Net Area(sf)</u>
<u>Unit A</u>	<u>1</u>	<u>3/2</u> + powder room	<u>1,745</u>	<u>234 (deck)</u> <u>767 (patio)</u>	
<u>Unit B</u>	<u>1</u>	<u>3/2</u> + powder room	<u>2,162</u>	<u>705 (decks)</u>	
<u>Unit C</u>	<u>1</u>	<u>--</u>	<u>--</u>	<u>32 (deck)</u>	<u>128 (shed)</u>
_____	_____	_____	_____	_____	_____

Total Apartments: 3

*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"

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 "Exclusive Use Areas" A, B and C 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 A	-	12%
Unit B	-	12%
Unit C	-	76%

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 November 25, 1996 and issued by First American Title Co. of Hawaii.

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

Mortgages

Buyer's interest may be terminated by mortgagee but Buyer shall be entitled to return of his deposit less escrow cancellation fees.

F. Construction Warranties:

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

1. **Building and Other Improvements:**

The Developer is making a one year warranty from the date of substantial completion of the materials and workmanship of Units A and B. Seller is selling Unit C in "as is" condition.

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:

Units A, B and C (shed) were completed in May, 1997.

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):

However, Developer has reserved the right to subdivide from the Land and to remove from the Project all or a portion of the "Exclusive Use Area C" (see attached Exhibit "B-1")

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 _____

See attached Disclosure Abstract (Exhibit H)

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

[X] Notice to Owner Occupants

[X] Specimen Sales Contract

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

[X] Escrow Agreement dated November 19, 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.
- C) Bylaws of the Association of Apartment Owners.
- D) House Rules.
- E) Condominium Map.
- 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 none

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. 3674 filed with the Real Estate Commission on December 20, 1996.

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C. Additional Information Not Covered Above

1. UNIT C is a storage shed. It is intended that Purchasers of Unit C will replace the shed with a residence and other improvements pursuant to Paragraph 19.1 of the Declaration.

There are City and County restrictions on the number of residential dwelling units, or other structures, which may be build on the property. **THERE IS NO ASSURANCE THAT THE PURCHASERS OF UNIT C WILL BE ABLE TO BUILD A RESIDENTIAL DWELLING UNIT ON THE RESPECTIVE LIMITED COMMON ELEMENT. THERE IS ALSO NO ASSURANCE THAT THE PURCHASERS OF UNIT C WILL BE ABLE TO CONVERT AN EXISTING NON-RESIDENTIAL STRUCTURE TO A RESIDENTIAL USE.** Purchasers should consult with the appropriate City and County agencies to determine what further improvements may be made to the property.

2. Note that the Developer has the right to subdivide and remove from the Condominium Property Regime the limited common area for Unit C (see Exhibit B-1). In such event, the common interest of Units A and B shall each be 50%.
3. Note also that the purchasers of Units A and B each have only a 12% common interest in the Project, and thus may be outvoted on Association matters by the owner of Unit C, who will have a 76% vote. Only a 75% vote is needed to amend the Declaration of Condominium Property Regime.

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.

OSCAR W. CHANDLER and JOYCE A. CHANDLER

Name of Developer

By Oscar W Chandler 11-13-96
OSCAR W. CHANDLER Date
Duly Authorized Signatory

By Joyce A. Chandler 11-13-96
JOYCE A. CHANDLER Date
Duly Authorized Signatory

Oscar W. Chandler and Joyce A. Chandler

print name & title of person signing above

Oscar W Chandler.
Joyce A. Chandler

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 21 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 paragraphs 20.1 and 20.2, however, if (1) at any time prior to the first filing in the Bureau of Conveyances of the State of Hawaii 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 paragraphs 21.1 and 21.2, the Owner of any Unit 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 a Unit in accordance with Paragraph 20.1 of this Declaration. Promptly upon completion of such Changes, the Owner of the changed Unit shall duly record with the Recording Offices 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.

Notwithstanding paragraphs 21.1 and 21.2, the Declarant shall have the right without the consent or joinder of any other person to amend this Declaration and the Condominium Map to reflect the subdivision of the Reserved Area and removal in accordance with Paragraph 20.2 of this Declaration. Promptly upon completion of the foregoing, the Declarant shall record with the Recording Office an amendment to this Declaration and to the Condominium Map, and to take all other actions that Declarant seems necessary or desirable, in his discretion, to effectuate such subdivision and removal. 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 the Declarant a Power of Attorney to execute an amendment to the Declaration and the Condominium Map and to take such actions so that the Declarant shall hereafter have a Power of Attorney from all the other Unit Owners to execute such amendment to the Declaration and the Condominium Map and to take such actions. 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 20.1 of the Declaration states:

"Notwithstanding anything to the contrary contained in this Declaration, a Unit Owner 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 additional improvements upon the Exclusive Use Area appurtenant to the Unit (collectively, the foregoing are referred to "Changes") subject to the following conditions:

(a) All building plans for any such Change shall be prepared by a Hawaii licensed architect or professional engineer and conform with County building and zoning laws and other applicable County and State laws and ordinances.

(b) Any Change to a Unit shall be made within the Exclusive Use Area that is appurtenant to such Unit.

(c) No Change shall affect the structural integrity of the common elements (including any limited common elements).

(d) No Change to a Unit shall be made if the effect of such Change would be to exceed the Unit's proportionate share (equal to its appurtenant Common Interest) of the allowable floor area or Lot area coverage for the Land or number of dwelling units or bedrooms or baths, as permitted by the zoning and building codes applicable to the Land in effect when the Change is to be made.

(e) 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 of his Exclusive Use Area.

(f) During the entire course of construction making a Change, 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;

(g) The Owner of Unit C (presently a shed) shall have the right at any time and from time to time to replace the existing shed with a residence or other improvements which shall conform with the requirements of Paragraph 20.1 of this Declaration, but otherwise shall be of such design, type and size as the Owner of Unit C shall decide in his sole discretion. It is possible that County, State or other applicable laws ("County Laws") may change, thereby preventing or restricting the Owner of Unit C from constructing a residence or other type of improvement on Exclusive Use Area C. The Owners of Units A and B shall

cooperate with the Owner of Unit C to enable the owner of Unit C to construct a residence or other desired improvement on Exclusive Use Area C. Such cooperation shall include, without limitation, joining in building permit applications or other required governmental permit; provided, however, that all (i) costs associated with the development of the residence or other improvement on Exclusive Use Area C shall be borne by the Owner of Unit C; and (ii) the Owner of Unit C shall indemnify and hold harmless the Owners of Units A and B from all losses, liability, damages, costs or expenses incurred or suffered by the Owners of Units A and B in connection with the development by the Owner of Unit C of such residence or other improvement.

(h) The Owner of the Unit changed by its Owner 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) The Owner of the Unit changed by its Owner shall have the right and obligation without the consent or joinder of any other person to amend and shall be required to the extent required by law to amend this Declaration and the Condominium Map to indicate any such Changes. If the consent to the Change or joinder of another Owner is required by the Act, then each Owner hereby consents in advance to such Change and agrees to sign all documents, such as permit applications, which may be necessary or desirable to effectuate the Owner's consent or joinder. Promptly upon completion of such Changes, the Owner of the changed Unit shall duly record any amendment to this Declaration and Condominium Map with the Recording Office, 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 respective mortgagees, by accepting an interest in a Unit, shall be deemed to have given each such other Owner a Power of Attorney to execute an amendment to the Declaration and Condominium Map solely for the purpose of describing the changes to the Unit of such other Owner in the Declaration or Condominium Map so that each Owner shall hereafter have a Power of Attorney from all the other owners to execute such amendment to the Declaration and the Condominium Map. This Power of Attorney shall be deemed coupled with each Owner's interest in his Unit (including his common interest) and shall be irrevocable.

(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 an Exclusive Use Area shall reserve to all Owners the rights set forth in this paragraph."

EXHIBIT B-1

SUMMARY OF DEVELOPER'S RIGHT TO SUBDIVIDE LAND AND REMOVE FROM CONDOMINIUM PROPERTY REGIME

Paragraph 20.2 of the Declaration states:

"(a) Notwithstanding anything to the contrary set forth in this Declaration, the Declarant shall have the right without the joinder of any owner or any other person at any time and from time to time until December 31, 2015 to cause to be subdivided from the Land all or any portion of the Reserved Area which is appurtenant to Unit C.

(b) Upon such subdivision, the Declarant shall have the right without the joinder of any owner or any other person to (i) amend this Declaration to remove such subdivided portion of the Reserved Area from under this Declaration, (ii) to convey such portion to whomever the Declarant may designate, including himself, and (iii) to grant and/or retain easements within the Common Elements for utility and roadway purposes for the benefit of such subdivided land.

(c) In connection therewith, the Declarant without the joinder of any owner or any other person may execute and deliver (on behalf of all of the Unit Owners and their respective mortgagees, if necessary) all applications, petitions, amendments to this Declaration, deeds and other instruments which Declarant deems necessary or desirable (including without limitation documents to be filed or recorded with the Department of Land Utilization of the City and County of Honolulu, the Recording Office, other governmental agencies or private parties). Declarant shall have the right also without the consent or joinder of any other person to take such actions in connection therewith. The form and content of such instruments or the taking of such actions shall be in the sole and absolute discretion of the Declarant, and his delivery of such instrument or the taking of such action shall be sufficient determination.

(d) In connection therewith, the Declarant shall have the right, without being required to obtain the consent or joinder of any person, including any apartment owner or any lien holder, or any other person who may have any interest in the Property or the Project, (i) to amend this Declaration and the Condominium Map to describe and depict the Land as modified by removal of all or portions of the Reserved Area to create additional common and limited common elements and easements as appurtenances to the apartments in the Project, to determine and describe the common interest and percentage of expenses effective upon such subdivision and to set forth such other matters necessary or desirable to effect any such alteration in the Project; and (ii) to amend any prior instrument of conveyance of an apartment and undivided interest so as to conform the same to the Declaration, as so amended.

(e) To the extent that joinder of any Unit Owner or lien holder or other person who may have any interest in the Property

or the Project may be required in order to validate any amendment of this Declaration or the Condominium Map or any such instrument of conveyance for the limited purposes set forth in Paragraph 20.2, such joinder shall be accomplished by power-of-attorney in favor of the Declarant from each of the owners, lien holders or such other parties, the acquiring or acceptance of ownership in a Unit or of a lien covering a Unit or of any other interest in the Project or Property subject to this Declaration being a grant of such power, and the grant being coupled with an interest, being irrevocable.

(f) This Paragraph 20.2 may not be amended without the consent of the Declarant.

(g) By accepting or acquiring any right, title or interest in the Project or the Property subject to this Declaration, each Unit Owner, lien holder or other person having any interest in the Project or Property agrees that he shall, if required by law or by the Declarant, join in, consent to, or execute all instruments or documents necessary or desirable to effect the subdivision of any of the Reserved Land, removal of such land from the Project and amendment of the Declaration and Condominium Map as provided for in Paragraph 20.2.

(h) The Declarant shall have the right to assign, mortgage or otherwise transfer or encumber its rights granted under Paragraph 20.2, and any income or other financial benefit therefrom shall accrue solely to the benefit of the Declarant."

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) Except with respect to Unit C, any foundations, columns, girders, beams, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, roofs, exterior skylights, stairways, walkways, corridors, ramps, fences (if any), trellises, store rooms (which are not within any apartment), mechanical rooms, entrances, entry ways and exits, each being in or part of the Duplex Building, as shown on the Condominium Map;
- (3) All yards, grounds, planting areas, planters, walkways, walkway railings, landscaping, refuse facilities, gardens, and all other facilities and appurtenances utilized for or serving more than one apartment;
- (4) All roads, driveways, driveway ramps and parking areas utilized for or serving more than one apartment;
- (5) All ducts, vents, shafts, sewer lines, sewage treatment equipment and facilities (if any), electrical equipment, telephone equipment (if any), pipes, wiring and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one apartment for services such as power, light, water, gas (if any), cablevision (if any), air conditioning (if any), sewer, refuse, telephone, and radio and television signal distribution;
- (6) All mechanical and electrical equipment originally installed and located within any apartment or located elsewhere in the Project utilized for or serving more than one apartment;
- (7) Non-exclusive easements 1 (for trash exclusive purposes), 2 (for access and utilities for the Land, Lot 27-A and Lot 27-B), 3 (for access and utilities in favor of the Land and Lot 27-A), 4 (for access and utilities in favor of the Land) and 5 (for access and utilities in favor of the Land), as shown on the Condominium Map.
- (8) Any and all apparatus and installations existing for common use, such as tanks, pumps, motors, fans, compressors and, in general, all other installations and apparatus existing for or normally in common use;

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 Unit, and each Unit 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 Unit to which it is appurtenant. The limited common elements so set aside and reserved are as follows:

1. The site on which Unit A is located, consisting of the land beneath and the portion of the Land immediately adjacent to Unit A, as shown and delineated on the Condominium Map as "Exclusive Use Area A", together with the airspace above such site is for the exclusive use and benefit of Unit A.

2. The site on which Unit B is located, consisting of the land beneath and the portion of the Land immediately adjacent to Unit B, as shown and delineated on the Condominium Map as "Exclusive Use Area B", together with the airspace above such site is for the exclusive use and benefit of Unit B.

3. The site on which Unit C is located, consisting of the land beneath and the portion of the Land immediately adjacent to Unit C, as shown and delineated on the Condominium Map as "Exclusive Use Area C", together with the airspace above such site is for the exclusive use and benefit of Unit C.

4. The common elements which are utilized or serve Unit A and Unit B exclusively, such as structural components of the Duplex Building shall be deemed "Duplex Building Limited Common Elements" and shall be for the exclusive use and benefit of Units A and B.

Note: The "Exclusive Use 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. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Easement for power line purposes, as shown on Tax Map.
4. Grant in favor of Hawaiian Electric Company, Inc., a Hawaii corporation, and GTE Hawaiian Telephone Company Incorporated, a Hawaii corporation, dated February 7, 1992, recorded in said Bureau as Document No. 92-075451, grant an easement for utility purposes.
5. Terms and provisions of that certain Roadway Maintenance Agreement made by and between Honolulu Mortgage Company, Inc., a Hawaii corporation, Frederick W. Welsford, Trustee of Plymouth Land Trust u/d/t dated May 27, 1993, of which a Plymouth land trust Notice of Trust dated May 27, 1993, was recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 93-086821, with power to buy, sell, hold title to and/or encumber property by mortgage, trust, deed of trust or pledge, and other powers more particularly set forth therein, and Steven Anthony Van Emmerik and Deborah Teresa Van Emmerik, husband and wife dated May 2, 1994, recorded in said Bureau as Document No. 94-077543.
6. Mortgage dated October 31, 1995, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 95-146004, in favor of Inland Mortgage Corp. dba All Pacific Mortgage Co..
7. Assignment of Mortgage dated February 5, 1996, recorded as Document No. 96-048525.
8. Declaration of Condominium Property Regime dated November 13, 1996, recorded in said Bureau as Document No. 96-164267 (Project covered by Condominium Condominium Map No. 2489). By-Laws dated November 13, 1996, recorded as Document No. 96-164268.

EXHIBIT "F"

SUMMARY OF THE PROVISIONS OF THE SALES CONTRACT (consisting of Standard DROA Form and attached "Special Provisions to the "DROA"")

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

2. Purchase Price and Terms. The purchase price set forth on page 1 of the DROA is to be paid as follows:

- a. An initial deposit;
- b. An additional cash deposit, if any;
- c. The balance of the purchase price is to be paid to escrow by purchaser before closing.

3. Financing of Purchase. Paragraph 16 of the Special Provisions provides if Buyer desires financing, a loan application must be made within ten (10) days and if Buyer's application is not approved within forty-five (45) days after the application, then either Seller or Buyer may cancel the Sales Contract. Upon such cancellation, Buyer's deposits will be refunded by escrow without interest.

4. Closing Costs. Pursuant to Paragraph 14 of the Special Provisions, the Buyer is required to pay at closing all escrow fees, Buyer's notary fees and all recording fees. Buyer's proportionate share of any liability insurance premium, real property taxes, maintenance fees and any other charges with respect to the Property shall be pro-rated between Seller and Buyer as of the date of final closing.

5. Closing. Seller has agreed to cause the Apartment to be sold to the Buyer within the time period set forth on page 1 of the DROA, which is expected to occur within 90 days of the date of the DROA.

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 permanent loan (paragraph 14 of the Special Provisions); (b) Buyer defaults under the Sales Contract (paragraph 5.2 of the Special Provisions); or (c) Buyer dies prior to Closing Date (paragraph 5.1 of the Special Provisions). Pursuant to Paragraph 5.2 of the Special Provisions, If Buyer fails to close as required, then after ten (10) days following Seller's notice of Buyer's default, if Buyer has not cured his default under the Sales Contract, the Seller may cancel the Sales Contract and all sums previously paid by Buyer will belong absolutely to the Seller as liquidated damages. Additionally, Seller may pursue any other remedy, and all costs, including reasonable attorney's fees, incurred by reason of default by the Buyer shall be borne by the Buyer. Time is the essence of the Sales Agreement.

7. No Present Transfer and Subordination to Construction Loan.

(a) The Sales Contract may be subject to existing loans, and any security interest now or hereafter obtained by Lender is or will be prior and senior to any rights arising under the Sales Contract. This obligation to subordinate the purchaser's right under the Sales Contract to loans now or hereafter made by the Seller is set forth in Paragraph 4 of the Special Provisions.

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

8. Rights of Buyer to Cancel the Sales Contract. The Buyer has the right to cancel the Sales Contract under the following conditions:

a. At any time within thirty (30) days following the date the Final Public Report is delivered to Buyer. If Buyer so cancels, Buyer will be entitled to receive refund of any deposits, less any escrow cancellation fees and other costs up to \$250. If Buyer does not act within the thirty (30) day period, or if the Apartment is conveyed to the Buyer, Buyer will be deemed to have executed the receipt for the Final Public Report and to have waived his right to cancel (paragraphs 6.1 and 6.3 of the Special Provisions).

b. The Buyer may cancel his purchase if there is a material change in the Project which directly, substantially and adversely affects the use or value of the Buyer's Apartment or the amenities available for the Buyer's use (paragraph 7.1 of the Special Provisions).

c. Buyer fails to qualify for permanent financing (paragraph 16 of the Special Provisions).

9. Paragraph 10 of the Special Provisions provides that the Buyer acknowledges that he or she has examined (and agrees to be bound) by the following:

- (a) The floor plans for the Project;
- (b) Escrow Agreement;
- (c) The Declaration of Condominium Property Regime, By-Laws of the Association of Apartment Owners;
- (d) The Apartment Deed;
- (e) Disclosure Abstract; 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 Co. of Hawaii.

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: KALENAKAI
44-101 Kalenakai Place
Kaneohe, Honolulu, Hawaii 96744
- (b) DEVELOPER: Oscar W. Chandler and Joyce A. Chandler
44-101 Kalenakai Place
Kaneohe, Hawaii 96744

Telephone: (808) 247-2211
- (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 making a one year warranty from the date of substantial completion of the materials and workmanship of Units A and B.

The Developer is not making any warranties relating to the materials and workmanship of Unit C.
4. USE OF UNITS. The KALENAKAI Condominium Project will consist of three (3) 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; provided, however, that until a residence is constructed on Exclusive Use Area C, Unit C may be used only as a storage facility or as otherwise permitted by the Land Use Ordinance of the City and County of Honolulu.

EXHIBIT "1"
ESTIMATED OPERATING EXPENSES

For Period December 1, 1996 to January 31, 1997
As Prepared by Developer

Estimated Annual Expenses

Ground Maintenance and	
*Water/Sewer:	\$-0-
**Fire/Liability Insurance:	\$-0-
Management Fee:	\$-0-
Miscellaneous:	\$-0-

TOTAL ANNUAL EXPENSES \$-0-

Estimated Monthly Expenses

\$-0-

Estimated Monthly Maintenance Fee for Each Apartment:

Estimated Monthly Expenses: \$-0-

TOTAL MONTHLY MAINTENANCE
FEE FOR EACH APARTMENT: \$-0-

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.


OSCAR W. CHANDLER


JOYCE A. CHANDLER

"Developer"