

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Lots Wako, Inc.  
Address 345 Queen Street, Suite 702, Honolulu, Hawaii 96813

Project Name(\*): 541 Lauiki  
Address: 541 Lauiki Street, Honolulu, Hawaii 96826

Registration No. 3698 Effective date: March 12, 1997  
(Conversion) Expiration date: April 12, 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 government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

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

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

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

Type of Report:

       PRELIMINARY: The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.  
(yellow)

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

       SUPPLEMENTARY: This report updates information contained in the:  
(pink)  Preliminary Public Report dated: \_\_\_\_\_  
 Final Public Report dated: \_\_\_\_\_  
 Supplementary Public Report dated: \_\_\_\_\_

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

(\*) Exactly as named in the Declaration

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report       Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

No prior reports have been issued by the developer.

Changes made are as follows:

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## General Information On Condominiums

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

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

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

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

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

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

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

## Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Lots Wako, Inc. Phone: (808) 524-5207  
Name (Business)  
345 Queen Street, Suite 702  
Business Address  
Honolulu, Hawaii 96813

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

Osamu Ieda -- Chairman and Chief Executive Officer  
Haruki Hasegawa -- President  
Sadayuki Sakazaki -- Secretary  
Tamiya Nagase -- Vice President/Treasurer

Real Estate Broker: BIARS, Inc. Phone: (808) 524-5159  
Name (Business)  
345 Queen Street, Suite 702  
Business Address  
Honolulu, Hawaii 96813

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

General Contractor: Hidano Construction, Inc. Phone: (808) 847-5555  
Name (Business)  
1620 Hau Street  
Business Address  
Honolulu, Hawaii 96817

Condominium Managing Agent: Century 21 Realty Specialists Corporation Phone: (808) 949-7611  
dba, Management Specialist Company (Business)  
Name  
1585 Kapiolani Blvd., Suite 1530  
Business Address  
Honolulu, Hawaii 96819

Attorney for Developer: Law Office of Anders G. O. Nervell Phone: (808) 523-0105  
Name (Business)  
345 Queen Street, Suite 701  
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. 97-018532  
Book NA Page NA  
 Filed - Land Court: Document No. 2364900

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

- 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. 2515  
 Filed - Land Court Condo Map No. 1181

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

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

The Bylaws for this condominium are:

Proposed  
 Recorded - Bureau of Conveyances: Document No. 97-018533  
Book NA Page NA  
 Filed - Land Court: Document No. 2364901

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

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

The House Rules for this condominium are:

Proposed                       Adopted                       Developer does not plan to adopt House Rules

E. Changes to Condominium Documents

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. Apartment Owners: Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u>Board of Directors</u>

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

2. Developer:

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

Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

To grant, relocate, or realign easements for utilities, sanitary and storm sewers, cable television, walkways, roadways, and right-of-ways (see paragraph 5.5 of the Declaration).

To conduct sales activities on the project (see paragraph 5.8 of the Declaration).

To amend the Declaration by filing an "as built" certificate (see paragraph 12 of the Declaration)

To amend the Declaration to designate a parking stall to become appurtenant to Apartment No. 1 in the event that approval for such a parking stall is obtained from the Department of Land Utilization, City and County of Honolulu (see paragraph 12 of the Declaration).

To amend the By-Laws to comply with the requirements of any federal or State governmental agency (see Section 10.01 of the By-Laws).



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: 541 Lauiki Street, Honolulu, Hawaii 96826 Tax Map Key (TMK): (1) 2-7-013-029

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

Land Area: 7,200  square feet  acre (s) Zoning: A-3

Fee Owner: Lots Wako, Inc.  
 Name  
345 Queen Street, Suite 702  
 Address  
Honolulu, Hawaii 96813

Lessor:  
 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: Two Floors Per Building Two  
 Exhibit \_\_\_\_\_ contains further explanations.

3. Principal Construction Material:  
 Concrete  Hollow Tile  Wood  
 Other concrete and glass

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>8</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other: _____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

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

5. Special Use Restrictions:

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

Pets: Household pets of reasonable size may be kept in reasonable number

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

Other: No transient or hotel purposes and time-share purposes

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: none                      Stairways: none                      Trash Chutes: none

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath.</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
<u>A</u>	<u>2</u>	<u>1/1</u>	<u>436.28</u>	<u>201.69</u>	<u>Courtyard</u>
<u>B</u>	<u>2</u>	<u>1/1</u>	<u>500.25</u>	<u>78.00/50.72</u>	<u>Lanai/Storage</u>
<u>C</u>	<u>2</u>	<u>2/1</u>	<u>526.63</u>	<u>241.38</u>	<u>Courtyard</u>
<u>D</u>	<u>1</u>	<u>2/1</u>	<u>526.00</u>	<u>58.39/9.10</u>	<u>Lanai/Storage</u>
<u>E</u>	<u>1</u>	<u>2/1</u>	<u>526.00</u>	<u>60.73/9.10</u>	<u>Lanai/Storage</u>

Total Number of Apartments: 8

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

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

Boundaries of Each Apartment:

Each apartment shall be deemed to include: (1) all walls and partitions which are not load-bearing within its perimeter or party walls, (2) all pipes, shafts, wires, ducts, pumps, cables, conduits, or other utility or service lines running through such apartment which are utilized for or serve only that apartment, (3) the inner decorated or finished surfaces of all walls, floors, and ceilings, (4) all doors and door frames, windows (including but not limited to sliding glass doors, windows, panes, jalousies, or panels along the perimeters) and window frames, and (5) all fixtures, appliances, built-in cabinets, carpets and floor coverings, and furnishings installed therein.

Permitted Alterations to Apartments:

Subject to Board approval, an apartment owner may make additions to or alterations of his or her apartment made within such an apartment or within a limited common element appurtenant to such apartment. Furthermore, handicapped occupants may reasonable modifications to their apartments, the limited common elements appurtenant thereto, and/or the common elements, at their own expense.



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>          </u>	<u>  X (See NOTE below)  </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 “B” .

as follows:

\_\_\_\_\_

NOTE: By letter dated October 18, 1996, the City’s Building Department indicated that “[t]he number of off-street parking spaces (7) is considered nonconforming. The apartment structures and the carport which are within the side and front yard setbacks are also considered nonconforming.” Prospective purchasers should inquire with their attorneys as to the possible impact of such nonconformities.

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

There are no limited common elements in this project.

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

described in Exhibit “C”.

as follows:

3. Common Interest: Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the “common interest.” It is used to determine each apartment’s share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interests for the apartments in this project, as described in the Declaration, are:

described in Exhibit “D”.

as follows:

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 February 13, 1997 and issued by Title Guaranty of Hawaii, Inc..

Blanket Liens:

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

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

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>
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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:** See Exhibit F. The contractor’s warranty period is one (1) year from the date of completion of the project. See paragraph G below for estimated date of completion of the project.
  
2. **Appliances:** See Exhibit F. The beginning and ending dates for the manufacture’s and dealer’s warranties on appliances vary according to the particular items.

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

The buildings were originally constructed in 1955 and 1958, and subsequently underwent renovation. Project renovation is 75% complete. Six of the eight apartments have been completed with respect to the interior and exterior portions. The remaining two apartments, Apartment Nos. 3 and 5, will be completed within thirty (30) days after the tenants occupying those apartments have vacated those apartments. The tenants last day of occupancy is March 13, 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 to perform for future development (such as additions, mergers or phasing):



V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

Notice to Owner Occupants

Specimen Sales Contract  
Exhibit “H” contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated November 15, 1996 .  
Exhibit “I” contains a summary of the pertinent provisions of the escrow agreement.

Other \_\_\_\_\_

B. Buyer’s Right to Cancel Sales Contract:

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

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

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

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

- A) The Developer delivers to the buyer a copy of:
  - 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
  - 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
- B) The buyer is given an opportunity to read the report(s); **AND**
- C) One of the following has occurred:
  - 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
  - 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
  - 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

- A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer’s apartment or its limited common elements; or (2) the amenities available for buyer’s use; **AND**
- B) The buyer has not waived the right to rescind.

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

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

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

This Public Report is a part of Registration No. 3698 filed with the Real Estate Commission on February 14, 1997.

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

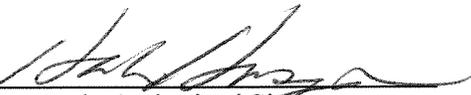
YELLOW paper stock       WHITE paper stock       PINK paper stock

C. Additional Information Not Covered Above

The apartments will be conveyed by the Developer in their present “as is” condition, but there may be pass-through warranties as indicated on page 15 and in Exhibit “F”.

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.

LOTS WAKO, INC.  
Print Name of Developer

By:  Feb. 12, 1997  
Duly Authorized Signatory Date

HARUKI HASEGAWA -- PRESIDENT  
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu  
Planning Department, City and County of Honolulu

**EXHIBIT "A"**

**Parking Stalls**

The Project currently has seven (7) limited common element parking stalls (numbered 2, 3, 4, 5, 6, 7, and 8 as shown on the Condominium Map), which parking stalls are appurtenant to Apartment Nos. 2, 3, 4, 5, 6, 7, and 8. No parking stall is at this time appurtenant to Apartment No. 1. However, subject to compliance with all current ordinances, codes, rules, regulations, or other requirements, the Developer has reserved the right to amend the Declaration, without the consent or joinder of any other apartment owners, to designate a parking stall to be appurtenant to Apartment No. 1. This right to amend the Declaration shall be exercised by the Declarant prior to the earlier to occur of (i) twenty-four (24) months from the date of the recordation of the first conveyance of an apartment in the Project or (ii) the date of the closing of the last unsold apartment in the Project.

**END OF EXHIBIT "A"**

## **EXHIBIT "B"**

### **Common Elements**

The common elements include the following located within the Project:

- (a) All the land described in Exhibit "A" attached to the Declaration of Condominium Property Regime and made a part thereof;
- (b) All structural components of the buildings such as foundations, floor slabs, columns, girders, beams, supports, unfinished perimeter, party and load-bearing walls, and roofs;
- (c) All pipes, cables, conduits, ducts, electrical equipment, 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, gas, water, sewer, telephone, and television signal distribution;
- (d) All yards, grounds, landscaping, and trash collection area;
- (e) All walls and fences, except the walls and fences surrounding the open-air courtyards adjoining Apartment Nos. 1, 2, 5, and 6, the same being deemed limited common elements as hereinafter provided;
- (f) All driveways and parking areas; and
- (g) Any and all other apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use.

**END OF EXHIBIT "B"**

## **EXHIBIT "C"**

### **Limited Common Elements**

The limited common elements include the following located within the Project:

- (a) Each of the fenced, open-air courtyards adjoining Apartment Nos. 1, 2, 5, and 6, including the fences and walls surrounding said courtyards, and each of the lanais adjoining Apartment Nos. 3, 4, 7, and 8, including the railings surrounding said lanais, as shown on the Condominium Map, shall be appurtenant to and for the exclusive use of such apartments;
- (b) One (1) outdoor storage locker, the numbers of which are set forth in Exhibit "B" attached to the Declaration and made a part thereof shall be appurtenant to and for the exclusive use of Apartments Nos. 3, 4, 7, and 8;
- (c) One (1) parking space, the numbers of which are designated on the Condominium Map and set forth in Exhibit "B" attached to the Declaration and made a part thereof shall be appurtenant to and for the exclusive use of Apartment Nos. 2, 3, 4, 5, 6, 7, and 8;
- (d) Each of the stairways providing access to the second story apartments, including the railings, shall be appurtenant to and for the exclusive use of the apartments located on the second floor within the buildings;
- (e) One (1) mailbox bearing the same number as each apartment; and
- (f) All other common elements of the project which are rationally related to less than all of said apartments or buildings shall be limited to the use of such apartments or buildings.

NOTE: Land areas referenced herein are not legally subdivided lots.

**END OF EXHIBIT "C"**

**EXHIBIT "D"**

**Percentage of Common Interest**

The percentage of common interest appurtenant to the respective apartments are as follows:

<u>Apartment No.</u>	<u>Percentage of Common Interest</u>
1	10.97%
2	10.97%
3	12.57%
4	12.57%
5	13.24%
6	13.24%
7	13.22%
8	<u>13.22%</u>
	100.00%

**END OF EXHIBIT "D"**

## EXHIBIT "E"

### Encumbrances

1. Real Property Taxes, Second Installment, Fiscal Year July 1, 1996 - June 30, 1997. (see tax statement attached)  
Tax Key: 2-7-013-029 (1)      Area Assessed: 7,200 sq. ft.
  
2. -AS TO PARCEL SECOND:-
  - (A) DESIGNATION OF EASEMENT "2"  
SHOWN           : on Map 3, as set forth by Land Court Order No. 10119, filed February 16, 1951
  
  - (B) GRANT  
TO               : CITY AND COUNTY OF HONOLULU  
DATED           : March 13, 1964  
FILED           : Land Court Document No. 329735  
GRANTING       : an easement over said Easement "2"
  
3. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:  
INSTRUMENT   : DECLARATION OF CONDOMINIUM PROPERTY REGIME FOR THE "541 LAUIKI" CONDOMINIUM PROJECT  
  
DATED         : February 5, 1997  
FILED         : Land Court Document No. 2364900  
RECORDED     : Document No. 97-018532  
MAPS         : 1181 filed in the Office of the Assistant Registrar of the Land Court, and 2515 recorded in the Bureau of Conveyances, and any amendments thereto

4. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS

DATED : February 5, 1997

FILED : Land Court Document No. 2364901

RECORDED : Document No. 97-018533

5. Any unrecorded leases and matters arising from or affecting the same.

6. Any lien (or claim of lien) for services, labor or material arising from an improvement or work related to the land described in Schedule C herein.

-Note:- Before issuance of an ALTA policy, verification is required that there is no renovation or construction in progress at the present time, nor has there been any renovation or construction during the past year, nor has any material been delivered to the site for purposes of renovation or construction in the past year.

**END OF EXHIBIT "E"**

## EXHIBIT "F"

### Construction Warranties

The following are excerpts from Sections D.15.a and b. of the Deposit Receipt and Sales Agreement.

- a. **Seller's Assignment of Warranties.** Seller makes no warranties itself, but Seller agrees that the closing of the sale of the Apartment shall constitute the assignment without recourse by Seller to Buyer of any and all warranties given to Seller by the contractor(s) for the Project, including any agreement by the contractor to repair or replace any of its work deemed to be defective in its workmanship or materials within the contractor's warranty period, and the benefit of such agreement shall accrue to Buyer at closing without further instruments or documents. Seller hereby agrees to cooperate with Buyer during the effective period of such agreement in asserting any claims based on any such warranty. Buyer acknowledges and agrees that Seller is not adopting the contractor's warranty or acting as co-warrantor but is merely attempting to pass through to Buyer the benefit of any such contractor's warranty, if any.
  
- b. **Manufacturer's and Dealer's Warranties.** The closing of the sale of the Apartment shall also constitute the assignment without recourse by Seller to Buyer, for the unexpired term, if any, of any manufacturer's or dealer's warranties covering any furnishings, fixtures, and appliances that are part of the Apartment. Buyer acknowledges and agrees that Seller is only passing through to Buyer any such manufacturer's or dealer's warranties, and Buyer further acknowledges and agrees that Seller is not adopting any such warranties or acting as co-warrantor with respect to any furnishings, fixtures, or appliances.

The contractor's warranty period is one (1) year from the date of completion of the project (see paragraph F in the Public Report for estimated date of completion of the project), and the beginning and ending dates for the manufacturer's and dealer's warranties on appliances vary according to the particular items.

**END OF EXHIBIT "F"**

541 LAUIKI  
1997 Operating Budget  
Prepared by Management Specialists Company

	Approved 1997 Budget	Annual Budget
<b>RECEIPTS</b>		
Maintenance Fees	1,008	12096
<b>TOTAL RECEIPTS</b>	<b>\$1,008</b>	<b>\$12,096</b>

**EXPENSES**

<u>Administrative</u>		
Office Expense	21	252
Meetings/Enrollment	10	120
<u>Professional Services</u>		
Management	208	2496
Financial	20	240
<u>Utilities</u>		
Electricity	35	420
Water/Sewer	300	3600
<u>Building Maintenance</u>		
Supplies	8	96
Repair/Maintenance	175	2100
<u>Insurance/Taxes</u>		
Insurance	231	2772
Taxes	0	0
<b>TOTAL EXPENSES</b>	<b>\$1,008</b>	<b>\$12,096</b>
<b>NET BUDGET GAIN OR (LOSS)</b>	<b>\$0</b>	<b>\$0</b>
Transfer To Reserves	0	0
Transfer From Reserves	0	0
<b>ADJUSTED GAIN OR (LOSS)</b>	<b>\$0</b>	<b>\$0</b>

**1997 MAINTENANCE FEE SCHEDULE**

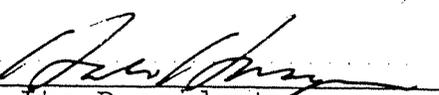
Unit Number	Maintenance Fee
1	\$115.05
2	\$115.05
3	\$124.21
4	\$124.21
5	\$132.37
6	\$132.37
7	\$132.37
8	\$132.37

Page 1 of 3

We, The Owner and Developers of 541 LAUIKI, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

LOTS WAKO, INC.

Date: 2-5-97

By:   
Its President

**EXHIBIT "G"**

\*\*\* Receipts Detail \*\*\*

		Approved 1997 Budget	Annual Budget
NON TAXABLE INCOME			
Maintenance Fees	31100	\$1,008	\$12,096
TOTAL RECEIPTS		\$1,008	\$12,096

\*\*\* Expenses Detail \*\*\*

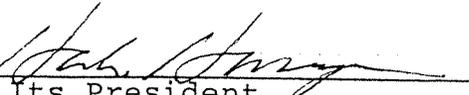
		Approved 1997 Budget	Annual Budget
ADMINISTRATIVE			
<u>Office Expense</u>			
Postage & Shipping	41110	5	60
Copying (MSC)	41120	5	60
Coups/Statements	41130	5	60
Off Supplies (MSC)	41170	5	60
Facsimile Costs	41180	1	12
<u>Total Office Expense</u>		\$21	\$252
<u>Meetings/Enrollment</u>			
Regis/Educ Fund	41270	10	120
<u>Total Meeting/Dues</u>		\$10	\$120
PROFESSIONAL SERVICES			
Property Management	42110	208	2496
<u>Total Management</u>		\$208	\$2,496
<u>Financial Service</u>			
Audit/Tax Prep	42500	20	240
<u>Total Financial Services</u>		\$20	\$240
UTILITIES			
<u>Electricity</u>			
Common	43310	35	420
<u>Total Electricity</u>		\$35	\$420
<u>Water/Sewer</u>			
Water	43410	125	1500
Sewer	43420	175	2100
<u>Total Water/Sewer</u>		\$300	\$3,600

We, The Owner and Developers of 541 LAUIKI, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disburments were prepared in accordance with generally accepted accounting principles.

LOTS WAKO, INC.

Date: 2-5-97

By:

  
Its President

		Approved 1997 Budget	Annual Budget
<u>Supplies</u>			
Custodial	44110	2	24
Miscellaneous	44115	2	24
Paint	44160	3	36
Paint Supplies	44161	1	12
<u>Total Supplies</u>		\$8	\$96
<u>Repair/Maintenance</u>			
Contract	44100	150	1800
Plumber	44330	25	300
<u>Total Repair/Maint</u>		\$175	\$2,100

#### INSURANCE AND TAXES

<u>Insurance</u>			
Condo Policy	47110	90	1080
Hurricane	47125	55	660
Umbrella	47130	30	360
Directors & Off	47140	25	300
Fidelity Bond	47150	30	360
Service Charge	47190	1	12
<u>Total Insurance</u>		\$231	\$2,772

<u>Taxes</u>			
General Excise	47210	0	0
Federal Income	47220	0	0
<u>Total Taxes</u>		\$0	\$0

TOTAL RECEIPTS \$1,008 \$12,096

TOTAL EXPENSES \$1,008 \$12,096

NET GAIN OR (LOSS) \$0 \$0

Transfer To Reserves \$0 \$0

Transfer From Reserves \$0 \$0

ADJUSTED GAIN OR (LOSS) \$0 \$0 Page 3 of 3

I/We, The Owner and Developers of 541 LAUIKI, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disburments were prepared in accordance with generally accepted accounting principles.

LOTS WAKO, INC.

Date: 2-5-97

By: *Hal Hansen*  
Its President

## EXHIBIT "H"

### Summary of Pertinent Provisions of Sales Contract

The following is a summary of the pertinent provisions of the Deposit Receipt and Sales Agreement (the "Agreement") to be made by and between LOTS WAKO, INC., a Hawaii corporation (the "Seller"), and the "Buyer" named in Section B therein, and which Agreement shall become effective upon the date of its execution by the Seller.

THE INFORMATION CONTAINED HEREIN IS A ONLY A SUMMARY OF THE TERMS OF THE AGREEMENT. FOR MORE DETAILED INFORMATION, YOU MUST SECURE A COPY OF THE AGREEMENT AND READ IT THOROUGHLY.

A. Section A of the Agreement contains a description of the apartment covered by the Agreement (the "Apartment").

B. Section B of the Agreement contains information concerning the Buyer(s).

C. Section C of the Agreement contains information regarding the total purchase price, method of payment, additional sums to be paid, reservation and sales agreement, and public report(s).

D. Section D of the Agreements contains additional terms and conditions of the Agreement. The following is a summary of the provisions contained in Section D.

1. Section D.1 contains definitions of terms used in the Agreement.
2. Section D.2 provides information regarding the project, such as the address, a description of the buildings, and the number of parking stalls.
3. Section D.3 provides information about the Apartment.
4. Section D.4 contains information regarding the appliances and furnishings included with the purchase of the Apartment.
5. Section D.5 contains information regarding the purchase price and method of payment.
6. Section D.6 provides that any interest earned on deposits in escrow shall be paid to the Seller.
7. Section D.7 provides that, after payment of the total purchase price, the Seller will provide Buyer with an apartment deed, and Buyer agrees to execute and accept such apartment deed and thereby acquire fee simple title to the Apartment. Section D.7 also provides that Buyer acknowledges having examined and accepts and agrees to the form, terms, and conditions contained in the apartment deed.

8. Section D.8 contains information regarding financing of the purchase. It provides in part that, if financing is required by Buyer, Buyer shall within five days from the date of execution of the Agreement, apply for mortgage financing, promptly sign and deliver all documents, and diligently take all steps necessary to qualify and obtain the required financing. Section D.8 further provides that Seller shall have the right, in Seller's sole discretion, to disapprove of any loan approval or mortgage commitment submitted to Seller within thirty days of the receipt of same by Seller. Section D.8 also provides that the Buyer shall, within ten days from the date of execution of the Agreement, give Seller such evidence ("Cash Evidence") as Seller may require of Buyer's ability to pay the cash portion of the total purchase price.
9. Section D.9 provides information regarding the escrow agreement which Seller has entered into with Title Guaranty Escrow Services, Inc. ("Escrow"), which escrow agreement is incorporated into the Agreement by reference, and which escrow agreement covers the deposit with Escrow of all funds paid by Buyer under the Agreement and the disbursement of such funds by Escrow. A summary of the escrow agreement is contained in Exhibit "I" attached hereto.
10. Section D.10 states that the Buyer acknowledges receiving copies of, and having had a full opportunity to read and review and approves and accepts the Declaration of Condominium Property Regime, the By-Laws of the Association of Apartment Owners, the House Rules, the specimen apartment deed, and the escrow agreement.
11. Section D.11 lists the reservations in favor of the Seller contained in the Declaration. See also Section E.2 in Part II of the Final Public Report which lists the Seller's reservations.
12. Section D.12 contains information regarding the closing date and the Seller's remedies in case the Buyer fails to pay the purchase price as provided in the Agreement.
13. Section D.13 provides in part that Seller shall deliver possession of the Apartment to Buyer after Escrow's recordation of the Buyer's apartment deed.
14. Section D.14 provides in part that the Buyer will pay all closing costs including but not limited to the escrow fee; conveyance taxes; real property tax and other prorations; all acknowledgment fees; cost of title reports and title insurance (if requested by Buyer); cost of any mortgagee's title insurance; appraisal fees; legal costs for preparing of the apartment deed or any notes and mortgages; all recording costs or fees; loan fees; credit report costs and all other applicable mortgage costs. Buyer shall also pay one month's maintenance fee in the amount specified in Section C in the Agreement.
15. Section D.15 governs the warranties provided by the Seller. A summary of the warranties is provided in Exhibit "F" attached hereto. Section D.15 also provides

that the apartments are being sold in their current “as is” condition.

16. Section D.16 provides in part that the apartments shall be occupied and used only as private residential dwellings; provided, however, that an owner or occupant of an apartment may engage in certain types of home occupations that are incidental to and consistent with the use of the apartment for residential purposes as more particularly described in the condominium documents.
17. Section D.17 provides in part that the Seller makes no representations regarding rental management service or any economic benefits to buyer.
18. Section D.18 provides in part that the condominium map, any artists renderings, and building plans and specifications are not warranties.
19. Section D.19 contains disclosures regarding lead-based paint, cracks in concrete, telephone and television wiring, caution to parents with young children, unauthorized access, estimate of maintenance fees, and thermal insulation.
20. Section D.20 pertains to the employment of a managing agent.
21. Section D.21 states the completion date of the project and the date a certificate of occupancy was issued.
22. Section D.22 pertains to ongoing sales activities in the project after the Buyer has occupied the Apartment, and the use of model apartments.
23. Section D.23 provides in part that the Seller is authorized to act on behalf of the Association of Apartment Owners of 541 Lauiki until the election of a board and officers.
24. Section D.24 provides in part that the Agreement shall not be binding upon Seller until executed by Seller and returned to the Buyer.
25. Section D.25 provides in part that the Agreement shall become binding when a true copy of the Final Public Report is delivered to the Buyer, the Buyer has an opportunity to read the Final Public Report, and the Buyer has taken such action or failed to take such action within the time period prescribed by law such that the Buyer is deemed to have approved and accepted the Final Public Report. The date the Agreement shall become binding as a contract for the purchase and sale of the Apartment as set forth above shall be the Effective Date. Until the Effective Date, the Agreement is merely a reservation agreement which may be unilaterally cancelled at any time by either the Seller or the Buyer.
26. Section D.26 governs disclosures of material changes in project.

27. Section D.27 provides in part that the Agreement shall not be construed as a present transfer of any rights or of any interest in the Apartment, but rather the Agreement is an agreement to transfer an interest in the future.
28. Section D.28 governs assignments of the Agreement.
29. Section D.29 provides in part that time is of the essence of this Agreement, and that no action or failure to act on the part of the Seller shall constitute a waiver of any of the Seller's rights or of any term or condition of the Agreement.
30. Section D.30 governs the Seller's remedies upon default by the Buyer. It provides in part that, if the Buyer shall default in making any payment when required, or fail to perform any other obligation required of the Buyer, then the Seller may terminate the Agreement. In the event of such cancellation after the Effective Date, Seller may retain all amounts paid by Buyer under the Agreement as liquidated damages. Seller may, in addition to such liquidated damages, pursue any other remedy, including specific performance, permitted by law or equity. All costs, including reasonable attorney's fees, incurred by reason of default by the Buyer shall be borne by the Buyer.
31. Section D.31 governs the Buyer's remedies upon default by the Seller. It provides in part that, after the Effective Date, if the Seller shall default in selling the Apartment to Buyer as provided in the Agreement, then the remedy shall be specific performance by the parties.
32. Section D.32 governs notices to either party.
33. Section D.33 provides in part that if Buyer should die prior to the closing date, the Seller reserves the right to return all sums paid hereunder by Buyer without interest and this Agreement shall then be deemed to have been cancelled and both Seller and Buyer shall be released from all obligations and liability under the Agreement.
34. Section D.34 provides in part that the Agreement is binding on the successors of the parties and that Buyers are responsible individually and together.
35. Section D.35 provides in part that Hawaii law governs the Agreement.
36. Section D.36 provides that the captions of the paragraphs of the Agreement are for convenience only and do not amplify or limit in any way the provisions of the Agreement.
37. Section D.37 provides that, if any provision of the Agreement is illegal, void, or unenforceable for any reason, then the remaining terms of the Agreement shall remain in full force and effect.

38. Section D.38 provides in part that, in the event the Buyer shall have a claim against the Seller or Seller's agents or representatives (the "Development Team Members"), or if Seller shall have a claim against Buyer arising out of or in any way connected with the Agreement or the design, development, construction, sale, marketing, financing, or any other activity relating to the Apartment or the Project, the claims shall be submitted for resolution in Honolulu, Hawaii by a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Section D.38 further provides that unless otherwise determined by the arbitrator, the prevailing party in any arbitration shall be entitled to recover from the losing party all costs of the arbitration and all reasonable expenses and costs, including attorneys' fees and witness fees, incurred by the prevailing party in connection with the arbitration or in any other legal action arising therefrom. No punitive damages shall be awarded in any claim against Seller whether or not such claim be solely against Seller, or against Seller together with other parties, including the Development Team Members.
39. Section D.39 concerns facsimile copies of the Agreement and the execution of the Agreement in counterparts.
40. Section D.40 provides in part that the Agreement constitutes the entire agreement between the parties, and that it supersedes and cancels all prior negotiations, representations, understandings and agreements, both written and oral, of the parties. No variations of the Agreement shall be valid or enforceable unless approved in writing by the Seller and the Buyer. Section D.40 also provides that, unless performed at or before closing, provisions of the Agreement shall survive the execution and recordation of the apartment deed.

Exhibit "A" attached to the Agreement is the Cooperating Brokerage Agreement. It provides in part that Seller shall direct Escrow to pay Buyer's Broker a specified percentage of the total purchase price, through escrow, from funds coming into the hands of Escrow at closing, in the event that a conveyance document for the Apartment is recorded in the Office of the Assistant Registrar of the Land Court of the State of Hawaii and also recorded in the Bureau of Conveyances of the State of Hawaii. The Cooperating Brokerage Agreement further provides that Buyer's Broker's sole right to receive brokerage fees or compensation of any type or kind from Seller shall be (a) as specified in the Cooperating Brokerage Agreement, and (b) shall be subject to all matters and provisions contained in the Agreement. The Cooperating Brokerage Agreement also provides that disputes between Buyer's Broker and Seller's Broker are to be determined by arbitration in accordance with the provisions adopted by the Honolulu Board of Realtors, and that disputes between Buyer's Broker and Seller are to be determined by arbitration in accordance with the provisions set forth in Section D.38 of the Agreement.

**END OF EXHIBIT "H"**

## EXHIBIT "I"

### Summary of Pertinent Provisions of Escrow Agreement

The following is a summary of the pertinent provisions of the Escrow Agreement dated November 15, 1996, and entered into by and between Title Guaranty Escrow Services, Inc. ("Escrow") and Lots Wako, Inc. ("Owner"), which Escrow Agreement is referred to herein as the "Agreement".

THE INFORMATION CONTAINED HEREIN IS ONLY A SUMMARY OF THE TERMS OF THE AGREEMENT. FOR MORE DETAILED INFORMATION, YOU MUST SECURE A COPY OF THE AGREEMENT AND READ IT THOROUGHLY.

1. Paragraph 1 provides in part that, after the Owner enters into a sales contract, the Owner shall deliver an executed copy of the sales contract to Escrow. The sales contract shall be accompanied by the initial deposit required under the sales contract.

2. Paragraph 2 provides in part that Escrow shall receive and hold in escrow and disburse (a) all payments received by Escrow under the sales contracts, (b) all sums received by Escrow from the Owner, (c) all funds from any lending institution pursuant to a mortgage loan, and (d) all sums received by Escrow from any other source on account of the 541 Lauiki condominium project. Escrow shall deposit all funds in accounts at a federally insured bank, savings and loan association, or other financial institution that pays interest on deposits. Any interest earned from funds deposited in escrow shall accrue to the credit of the Owner.

3. Paragraph 3 contains conditions to be met prior to disbursement of funds. It provides in part that no disbursements of funds held in escrow shall be made until:

- a. The Real Estate Commission shall have issued a Final Public Report on the 542 Lauiki condominium project;
- b. Owner or Owner's attorney shall have delivered a written opinion to Escrow stating that the requirements governing Section 514A-62, 514A-63, and 521-38, Hawaii Revised Statutes, as amended, have been complied with;
- c. Owner shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract; and
- d. Owner shall have delivered to Escrow a certificate from the Owner's architect stating that the project is in compliance with the Federal Fair Housing Amendments Act of 1988.

4. Paragraph 4 governs return of funds and documents. It provides in part that, a purchaser shall be entitled to a return of funds held by Escrow if any of the following has occurred:

- a. Owner and the purchaser shall have requested Escrow in writing to return

the funds held in escrow;

- b. Owner shall have notified Escrow of Owner's exercise of any of Owner's rights to cancel the sales contract as provided in the sales contract;
- c. Purchaser has exercised the purchaser's right to cancel the sales contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or
- d. Purchaser has exercised the purchaser's right to cancel the sales contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.

In any of the foregoing events, Escrow shall pay the funds to the purchaser (less a cancellation fee of not less than \$25.00 per unit or a cancellation fee commensurate with the work done by Escrow prior to the cancellation, whichever fee is greater, up to a maximum of \$250.00), and thereafter the sales contract shall be deemed cancelled. However, no refund shall be made to a purchaser prior to receipt by Owner of written notice from Escrow of Escrow's intent to make such refund.

- e. Escrow further agrees to make refunds to purchasers if Owner and the purchaser shall so request in writing and any one of the following events has occurred:
  - (i) No sales contract has been offered to the purchaser who has been placed on the Owner's reservation list of owner-occupant applications;
  - (ii) The purchaser has been unable to obtain adequate financing, or a commitment for adequate financing, within thirty calendar days following the end of the ten calendar day period during which Owner is limited to selling to owner-occupants;
  - (iii) The purchaser desires to cancel the contract on account of hardship circumstances such as those set forth in Section 514A-104(1), Hawaii Revised Statutes; or
  - (iv) The purchaser indicates an intent not to become an owner-occupant of such unit.

Except for cancellations under subparagraph (i) above, Escrow may deduct from any such refund a cancellation fee as set forth above.

5. Paragraph 5 provides in part that Escrow shall notify each purchaser entitled to a return of funds by registered, certified or regular mail, postage prepaid addressed to such purchaser at the purchaser's address shown on the sales contract or such other address given to Escrow by the purchaser. If such purchase shall not have claimed such refund within sixty days, the Escrow shall deposit such funds into a special account in the name of the Owner as trustee for the benefit of such

purchaser. After notifying the purchaser of such facts, Escrow shall be released from any further duties or liabilities with respect to such funds and such purchaser.

6. Paragraph 6 provides in part that Escrow shall promptly and diligently arrange for and supervise the execution of all necessary documents, and shall promptly and diligently close the transactions.

7. Paragraph 7 provides in part that, if Owner desires to close any or all sales at different times, Escrow shall cooperate with Owner to facilitate such partial closings.

8. Paragraph 8 provides in part that, after the closing of each transaction, Escrow shall proceed to file and record all necessary documents to transfer title to the purchase within five business days provided that none of the closing documents are defective. If, however, any necessary document is defective or cannot be filed or recorded, Escrow shall notify the Owner and proceed to correct such defect as are within its capacity to correct. If the necessary document cannot be filed or recorded within five days after closing, Escrow shall file or record the document five days after learning that the reason that prevented its filing or recording no longer exists.

9. Paragraph 9 governs default by the purchaser. It provides in part that Owner shall notify Escrow of each event that gives rise to an obligation of a purchaser to make payment to Escrow pursuant to the sales contract. Escrow shall thereafter notify the purchaser of the amount and due date of such payment. If the purchaser then fails to make such payment, then Escrow shall notify Owner. If Owner thereafter notifies Escrow that Owner has terminated the sales contract, then Escrow shall treat all such funds as funds of the Owner and not as funds of the purchaser. Upon written request by Owner, Escrow shall pay such sums to Owner, less any escrow cancellation fee, and Escrow shall thereafter be released from any further duties or liabilities under the Agreement with respect to such funds and such purchaser.

10. Paragraph 10 provides in part that Escrow shall be relieved from all liability for acting in accordance with the terms under the Agreement. If a dispute arises, Escrow shall not be required to take any action, but instead Escrow may (a) await settlement of the controversy by final appropriate legal proceedings, or (b) file a suit in interpleader and Escrow may deposit with the court any money held under the Agreement. Owner and the purchaser each agrees to pay Escrow on demand and indemnify and hold Escrow harmless from and against all costs, damages, judgments, attorneys' fees, expenses, obligations and liabilities reasonably suffered or incurred in connection with or arising out of this escrow.

11. Paragraph 11 provides that the Agreement shall be binding upon, shall apply to, and shall inure to benefit of the parties thereto and their respective devisees, personal representatives, successors, and assigns.

12. Paragraph 12 provides that the Agreement may be terminated by either party upon fifteen days written notice to the other. All transaction in process at the time of such termination shall be completed under the terms of the Agreement.

13. Paragraph 13 provides in part that the Agreement is supplementary and subject to the provisions of Chapter 514A, Hawaii Revised Statutes.

14. Paragraph 14 provides that Escrow shall furnish Owner with a semi-monthly report covering the status of each sales contract in escrow. After notice from the Owner that payments are due, Escrow shall bill each purchaser for payments due under the sales contract.

15. Paragraph 15 governs Escrow's compensation for performing the services under the Agreement. It provides in part that Escrow shall be paid \$300.00 for each unit in the Project. Escrow shall also arrange for the issuance of a title insurance policy for the sum of \$350.00 for each unit. An additional fee of \$100.00 shall be charged to the purchaser for each mortgage obtained by the purchaser if the purchaser does not obtain a mortgage loan from a lender designated by the Owner. This compensation shall become due and payable upon the earlier of (a) the transfer to purchaser of legal title or (b) final disbursement of the funds held in escrow. In the event of a cancellation of any sales contract, a cancellation fee commensurate with the services rendered by Escrow, but not less than \$25.00, plus all costs incurred by Escrow, shall be charged to Owner, unless otherwise agreed to by Owner and the purchaser.

**END OF EXHIBIT "I"**