

LIMITED-EQUITY HOUSING
COOPERATIVE PUBLIC REPORT

Prepared &
Issued by:

Developer: Waipahu Towers Cooperative
Address: 94-337 Pupumomi Street, #106, Waipahu, Hawaii 96797

Project Name: Waipahu Towers
Address: 94-337 Pupumomi Street, Waipahu, Hawaii 96797

Registration No. 3735

Effective date: September 17, 1999
Expiration date: None

Preparation of this Report:

This report has been prepared by the developer pursuant to the Limited-Equity Housing Cooperatives statute, Chapter 421H, Hawaii Revised Statutes, as amended, and Part III of 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 a membership interest in the cooperative.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a subscription agreement for the purchase of a membership interest in the limited-equity housing cooperative.

Expiration Date of Report: None.

Type of Report:

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

FINAL:
(white) The developer has been legally created as a nonprofit corporation which will constitute the limited-equity housing cooperative and has filed complete information with the Commission.

No prior reports have been issued.
 This report supersedes all prior public reports.
 This report must be read together with _____

SUPPLEMENTARY:
(pink) This report updates information contained in the:
 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 _____

Disclosure Abstract: Separate Disclosure Abstract on this limited-equity housing cooperative project:

Required and attached to this report Not Required

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:

TABLE OF CONTENTS

	<u>Page</u>
Preparation of this Report	1
Expiration Date of Report	1
Type of Report	1
Summary of Changes from Earlier Public Reports	2
Table of Contents	3
General Information on Limited-Equity Housing Cooperatives	4
Operation of the Limited-Equity Housing Cooperative Project	4a
I. PERSONS CONNECTED WITH THE PROJECT	
Developer	5
Real Estate Broker	
Attorneys for Developer	
Escrow Company	
General Contractor	
Property Manager	
II. CREATION OF THE LIMITED-EQUITY HOUSING COOPERATIVE; FUNDAMENTAL DOCUMENTS	6
A. Articles of Incorporation	6
B. Bylaws	6
C. Occupancy Agreement	6
D. Subscription Agreement	6
E. House Rules	6
F. Changes to Cooperative Documents	6
III. THE COOPERATIVE	8
A. Buyer's Membership Interest	8
B. Underlying Land	8
C. Buildings and Other Improvements	8
D. Common Interests	11
E. Encumbrances Against Title	12
F. Construction Warranties	12
G. Status of Construction and Estimated Completion Date	13
H. Project Phases	13
IV. MANAGEMENT	14
A. Management of the Limited-Equity Housing Cooperative	14
B. Estimate of Initial Occupancy Charges	14
C. Utility Charges for Dwelling Units	14
V. MISCELLANEOUS	15
A. Documents Filed with the Real Estate Commission	15
B. Buyer's Right to Cancel Subscription Agreement	15
C. Additional Information Not Covered Above	15
D. Signature of Developer	16

EXHIBIT A: HUD Disclosure Statement
EXHIBIT B: Statement of Encumbrances

General Information On Limited-Equity Housing Cooperatives

Developer was formed as a nonprofit corporation which will operate as a limited-equity housing cooperative, a form of "cooperative" housing. "Cooperative" housing means cooperative (or joint) operation of a housing development by those who live in it and hold membership interests. All of the property of a cooperative housing development is owned by the corporation. The corporation holds title to the land and buildings, including individual dwelling units in the cooperative housing development and is responsible for payment of the mortgage, tax and other obligations necessary to finance and operate the housing development.

If a buyer purchases a membership interest in the corporation, the buyer will have the exclusive right to occupy a dwelling unit in the cooperative as a cooperative member. Cooperative members pay a monthly occupancy fee to cover the operational costs of the housing development. Unlike the owners of condominium dwelling units or single-family homes, cooperative members **do not own a dwelling unit or any interest in any other portion of the housing development.** All cooperative members will have the opportunity to participate in the operation of the corporation as an elected member of the board of directors or as a voter. Because cooperatives are run on a democratic basis, cooperative members can learn to work together for the overall betterment of the housing development and of the community.

A limited-equity housing cooperative differs from other stock housing cooperatives because, among other reasons, **a cooperative member's return on his or her investment in the membership interest is limited by federal and state law and the bylaws of the corporation. This means that when a cooperative member resells his or her membership interest, the corporation pays the cooperative member an amount which is determined by a set formula, rather than an amount which is determined by real estate market values or by the corporation's equity in the property.** Hawaii law prohibits the distribution to individual cooperative members of any corporate equity that may be generated by the housing development. Any corporate equity that may be generated by the housing development can be used only for very restricted purposes, including for example, improvement of the housing development or for public benefit or charitable purposes.

A limited-equity housing cooperative is intended to provide affordable and secure housing now and in the future. The United States Department of Housing and Urban Development ("HUD") requires that the corporation operate the housing development as a limited-equity housing cooperative for the entire useful life of the housing development. Thus, the housing development will remain as affordable housing and cannot be converted into condominium units for private ownership.

Cooperative housing may offer the following financial benefits to members:

1. A limited-equity housing cooperative is operated on a nonprofit basis. Increases in the monthly housing costs are limited to actual increases in operating costs of the housing development. With the exception of the limited return on membership interests discussed in Exhibit A attached hereto, there is no profit to the developer which may be distributed to individual cooperative members.
2. Maintenance costs of a well-operated housing development may be minimized because experience has shown that cooperative members take better care of the property than renters.
3. A limited return, as described in Exhibit A attached hereto, is allowed on the resale of a membership interest.

All interested buyers are encouraged to read the Disclosure Statement attached as Exhibit A, which provides general information concerning the developer and limited-equity housing cooperatives, and all other information available through the developer.

Operation of the Limited-Equity Housing Cooperative Project

The developer has been incorporated as a nonprofit corporation under Hawaii law for the purpose of acquiring, owning and operating as cooperative housing the 64 units at Waipahu Towers. Purchase of a membership interest in the developer will require a down payment of \$200.00, with payment of the balance of the purchase price of your membership interest made after you have been accepted for membership. Upon completion of the sale of 75% of all membership interests in the developer, the developer will be recognized as a limited-equity housing cooperative under federal laws. The purchase price of the membership interest is sometimes also referred to as your equity investment. You will become a member of the developer only after you, have paid the full price of your membership interest, receive written notification from the developer that your subscription has been accepted by the developer and the developer has delivered to you a membership certificate representing a membership interest in the developer. Each member household of the developer, regardless of the dollar amount of its equity investment in the developer, will have one vote in the affairs of the developer as set forth in the bylaws.

The affairs of the developer will be conducted by a board of directors, elected by the members of the developer from among the members. The purpose of the board of directors is to eliminate decisions being made by one individual. Elections to the board of directors will be held annually as required under the bylaws. Any elected director who is not properly fulfilling his or her duties may be removed as set forth in the bylaws.

In addition to engaging a management agent for the developer, the board of directors performs other important duties such as setting eligibility standards for admission to membership in accordance with the bylaws and the regulations of HUD, determining the degree and type of maintenance and service of the project, making rules and regulations for the use and occupancy of common areas and the dwelling units, and adopting annual operating budgets, subject to approval of HUD, including occupancy charges adequate to meet the developer's operating costs.

Committees may be established by the board of directors and made up of members of the developer to recommend policies to the board of directors which affect overall operation of the project. All members of the developer are encouraged to participate actively on any committees.

The developer may eventually develop its own resident management corporation to take over direct performance of property management, subject to HUD's approval and any licensing required by the State of Hawaii, but it will take at least three years from the developer's purchase of the project to develop its property management capacity.

NOTE: ALL APPLICANTS FOR COOPERATIVE MEMBERSHIP SHOULD BE AWARE THAT IT IS ABSOLUTELY NECESSARY THAT THE CORPORATION GENERATE SUFFICIENT FUNDS FROM ALL DWELLING UNITS AT WAIPAHU TOWERS TO PAY ITS MONTHLY MORTGAGE PAYMENTS DUE UNDER ITS LOANS. EVEN IF ALL COOPERATIVE MEMBERS ARE CURRENT IN THEIR PAYMENTS OF MONTHLY OCCUPANCY CHARGES TO THE COOPERATIVE, IF THE COOPERATIVE DEFAULTS ON ITS MORTGAGE PAYMENTS WHILE IT HOLDS TITLE TO WAIPAHU TOWERS, ALL RIGHTS OF COOPERATIVE MEMBERS COULD BE TERMINATED.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Waipahu Towers Cooperative Phone: (808) 671-0162
94-337 Pupumomi Street, #106 (Business)
Waipahu, Hawaii 96797

Names of officers and directors of the developer:

Ms. Charlelynn Huddleston, President and Director
Ms. Irene Hall, Vice President and Director
Ms. Sandra J. Turk, Secretary and Treasurer
Mr. Ulalofaiga Milaek, Director
Ms. Seto Seto, Director

Real Estate Broker: HAPI Management Company Phone: (808) 524-0155
c/o Gelber, Gelber, Ingersoll, (Business)
Klevansky & Faris
Suite 1400, Hawaii Tower
745 Fort Street
Honolulu, HI 96813

Escrow: HAPI Management Company Phone: (808) 524-0155
c/o Gelber, Gelber, Ingersoll, (Business)
Klevansky & Faris
Suite 1400, Hawaii Tower
745 Fort Street
Honolulu, HI 96813

General Contractor: U.S. Pacific Builders, Inc. Phone: (808) 523-8554
1001 Bishop St., Suite 1500 (Business)
Honolulu, HI 96813

Property Manager: HAPI Management Company Phone: (808) 524-0155
c/o Gelber, Gelber, Ingersoll, (Business)
Klevansky & Faris
Suite 1400, Hawaii Tower
745 Fort Street
Honolulu, HI 96813

Attorneys for Developer: Charles R. Olson, Esq. Phone: (415) 693-9300
Sanger & Olson (Business)
One Embarcadero Center
12th Floor
San Francisco, CA 94111

Andrew R. Bunn, Esq. Phone: (808) 528-8200
Tracy D. Tanaka, Esq. (Business)
Chun, Kerr, Dodd, Beaman & Wong
Hawaii Building, 9th Floor
745 Fort Street
Honolulu, HI 96813

II. CREATION OF THE LIMITED-EQUITY
HOUSING COOPERATIVE
FUNDAMENTAL DOCUMENTS

A limited-equity housing cooperative is created by establishing a nonprofit corporation, together with articles and bylaws, and selling membership interests in the corporation to occupants of the real property owned by the corporation. The Limited-Equity Housing Cooperative statute (Chapter 421H HRS), the articles of incorporation, bylaws, occupancy agreement, subscription agreement and house rules control the rights and obligations of the members of the cooperative with respect to the project and the common areas, to each other, and to their respective dwelling units. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- A. Articles of Incorporation are the fundamental documents which establish a limited-equity housing cooperative. The articles which formed the developer were filed with the Department of Commerce and Consumer Affairs, State of Hawaii on March 28, 1995 and were amended on June 13, 1995, June 5, 1996 and July 2, 1996.

The first annual meeting of the members of the developer will be held on the second Saturday of April 1998, or such other date as may be established by the board of directors, but in no event later than September 1998. Until the first election of the board of directors by the members, the developer will be controlled by a provisional board of directors, which consists of the following individuals: Charlelynn Huddleston, Irene Hall, Sandra J. Turk, Ulalofaiga Mikaele and Seto Seto.

- B. Bylaws govern the operation of a limited-equity housing cooperative. They provide for the manner in which the board of directors of the limited-equity housing cooperative is elected, the powers and duties of the board, the manner in which meetings will be conducted, and other matters which affect the governance of the limited-equity housing cooperative.

The amended and restated bylaws for the developer were adopted on March 27, 1996.

- C. Occupancy Agreement establishes your rights and obligations for occupancy of a dwelling unit in the limited-equity housing cooperative. It is similar to a lease. If you fail to pay occupancy charges or otherwise violate the terms of the occupancy agreement, your membership in the developer may be terminated and you may be evicted from the cooperative.
- D. Subscription Agreement is the document by which you promise to purchase a membership interest in the limited-equity housing cooperative.
- E. House Rules may be adopted by the board of directors to govern the use and operation of the dwelling units and common areas. 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, if allowed. These rules must be followed by members 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 the developer are:

Proposed Adopted developer does not plan to adopt House Rules

- F. Changes to Limited-Equity Housing Cooperative Documents

Changes to the articles are effective only if they are duly adopted and filed with the Department of Commerce and Consumer Affairs. Chapter 421H, HRS, provides that certain provisions of the articles and bylaws may not be changed. Changes to the bylaws and house rules do not need to be recorded or filed to be effective.

1: Members: Minimum proportion of members which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Cooperative</u>
Articles	2/3*	<u>2/3*</u>
Bylaws	2/3*	<u>2/3*</u>
House Rules	---	<u>Majority of Board</u>

*Changes to the articles and bylaws must be approved by HUD to be effective.

2. Developer:

- No rights have been reserved by the developer to change the articles, bylaws or house rules.
- Developer has reserved the following rights to change the articles, bylaws or house rules:

Developer may amend the articles, bylaws and house rules by majority vote of the board prior to the sale of memberships, subject to approval by HUD; provided that Chapter 421H, HRS, provides that certain provisions of the articles and bylaws may not be changed.

HUD requires disclosures to be made to you in a certain format. Some of these disclosures are contained in the Disclosure Statement, which is attached hereto as Exhibit A. The attached Disclosure Statement sets forth pertinent information regarding the project and contains information not set forth in the main text of this public report. It provides an overview of the benefits and risks of membership in a limited-equity housing cooperative. A complete set of all disclosures required by HUD will be provided by the developer to any interested applicant.

III. THE COOPERATIVE

A. Buyer's Membership Interest:

Membership: There will be no more than one membership in the developer for each dwelling unit. The developer owns Waipahu Towers (including the building, the dwelling units and common areas of the project) and the underlying land. A person becomes a member of the developer by entering into a subscription agreement and purchasing a membership interest in the developer. Each member of the developer will be entitled to enter into an occupancy agreement which grants exclusive use of one dwelling unit to the member and his or her family.

B. Underlying Land:

Address: 94-337 Pupumomi Street Tax Map Key: (1) 9-4-39:48
Waipahu, Hawaii 96797

Land Area: 36,890 [x] square feet [] acre(s) Zoning: A-2 Medium Density Dwelling Unit

Fee Owner: Waipahu Towers Cooperative
 Name
94-337 Pupumomi Street, #103
 Address
Waipahu, Hawaii 96797

C. Buildings and Other Improvements:

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

2. Number of Buildings: 1 Floors Per Building 8

[] Exhibit _____ contains further explanations.

3. Principal Construction Material:

[x] Concrete [x] Hollow Tile [] Wood

[] Other _____

4. Permitted Uses by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	<u>No. of Apts.</u>	<u>Use Determined By Zoning</u>
[x] Residential	<u>64</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 [] Other: _____	_____	[] Yes [] No

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

5: Special Use Restrictions:

The articles, bylaws and occupancy agreement may contain restrictions on the use and occupancy of the dwelling units. Restrictions for this project include but are not limited to:

Pets: No pets without prior written permission of the board.

Number of Occupants: This project is subject to occupancy guidelines promulgated by the Department of Housing and Community Development of the City and County of Honolulu.

These guidelines are currently as follows:

"Occupancy Guidelines

To match the family size with the dwelling unit type, the optimum occupancy guidelines for each dwelling unit type shall be as follows:

<u>Dwelling Unit Type</u>	<u>Occupancy Guidelines</u>
0 Bedroom	1-2 Persons
1 "	1-3 Persons
2 "	2-5 Persons
3 "	3-7 Persons
4 "	4-9 Persons

At the discretion of the Director, the Occupancy Guidelines may be modified for family hardship, emergency situations, in response to market demand or other economic conditions."

Department of Housing and Community Development, City and County of Honolulu, Land and Housing Development Program Rules and Regulations, Section I-6 (Rev. 2/12/90).

Other: Each member must be a resident of the dwelling unit represented by the share certificate held by that member. Occupancy is restricted to family members. Subletting is not allowed if member receives Section 8 assistance. Transfers of memberships are restricted.

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 1 Stairways: 2 Trash Chutes: 0

<u>Dwelling Unit Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
<u>A/B</u>	<u>62</u>	<u>2/1</u>	<u>717</u>	<u>62</u>
<u>C</u>	<u>2</u>	<u>1/1</u>	<u>527</u>	<u>62</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Dwelling Units: 64

*Net Living Area is the floor area of the dwelling unit measured from the interior surface of the dwelling unit 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 Dwelling Unit: N/A

Permitted Alterations to Dwelling Units: No alterations are permitted without prior written approval of the board. Except for repair of damage to dwelling units or other property of the developer caused by members, repairs to the dwelling units and other property of the developer will be performed by the developer at the common expense of the members and passed through to members through occupancy charges.

7: Parking Stalls:

Total Parking Stalls: 78

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>Total</u>
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	
Assigned (for each dwelling unit)	<u>35</u>	<u>36</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>71</u>
Guest Unassigned	<u>1</u>	<u>1</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>2</u>
Extra for Purchase	<u> </u>	<u>3*</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other:	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>3</u>

*Handicap

Total
Covered & Open 76 0 0 76

Parking stalls have been assigned by the property manager. Each dwelling unit is assigned at least one (1) parking stall and excess parking stalls are available to residents to rent at the initial rate of \$35 per month per stall.

Buyers are encouraged to find out which stall(s) will be available for their use.

Commercial parking garage permitted in project.

8. Recreational and Other Common Facilities:

There are no recreational or common facilities.

Swimming pool Storage Area Recreation Area

Laundry Area Tennis Court Trash Chute

Other: Barbecue and children's play area

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

There are no violations. Violations will not be cured.

Violations and cost to cure are listed below. Violations will be cured by _____

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations
(For conversions of residential dwelling units in existence for at least five years):

Structural component, mechanical and electrical installations are in good condition and should have an expected useful life of thirty (30) years with proper maintenance, excluding normal wear and tear, or vandalism and abuse.

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> </u>	<u> x </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 renter's insurance if the project has a non-conforming or illegal use, structure, or lot.

D. Common Interests: A member will have no direct ownership of any common interests in the project or in any of the common areas. All of the common interests and common areas as a whole are owned by the developer. Regular repair and maintenance costs for the common areas in the project are included in occupancy charges.

- 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 of a membership in the corporation or occupancy of a dwelling unit in the project.

The interests of the limited-equity housing cooperative are subject to the terms and conditions of mortgages and other recorded documents. If the limited-equity housing cooperative does not comply with these recorded documents, the limited-equity housing cooperative may be subject to a lawsuit and/or foreclosure, and possibly the loss of title and use of the property, in which instances all rights of cooperative members could be terminated.

The Statement of Blanket Encumbrance attached hereto as Exhibit B discloses the encumbrances against the title for the property contained in the ALTA Owner's title insurance policy dated May 16, 1995 and issued by Tigor Title Insurance Company. To the best knowledge of the developer, no other encumbrances have been placed against the property since May 16, 1995.

- F. Construction Warranties:

Warranties for individual dwelling units and the common areas, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

General - 1 year from date of occupancy per floor
Landscape - 1 year from date of substantial completion
Exterior Building Painting - 1 year from substantial completion
Building Roof - 10 years from substantial completion
Elevator - 90 days from date of acceptance
Traffic Coating - 5 years from substantial completion
Solid and Hollow Core Doors - 1 year from date of installation

2. Appliances:

(All time periods run from date of beneficial occupancy unless noted otherwise.)

Disposal - 1 year warranty parts and labor
Gas Range - 1 year parts and labor
Range Hood - 1 year parts and labor
Refrigerator - 5 year seal system (compressor, etc.) 1 year
S/S Sink - 10 year warranty material or manufacture defects
Water Closet - 5 year warranty
Ceiling Fan - 20 year warranty
Vertical Blinds - Lifetime
Security System - 1 year warranty after final acceptance of the system
Light Fixture - 1 year MH, HPS and fluorescent lamps
Incandescent Lamps - 60 days

G. Status of Construction and Estimated Completion Date:

Status: The renovation of all floors is 100% completed.
Renovation of reroofing work is 100% completed.
Landscape work is 100% completed.
The entry phone station is 100% completed.
The handicap ramp is 100% completed.

H. Project Phases:

The developer [] has [x] has not reserved the right to add to, merge, or phase this limited-equity housing cooperative.

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

None.

IV. MANAGEMENT

- A. Management of the Limited-Equity Housing Cooperative: The developer is responsible for the management of the common areas and the overall operation of the project. The developer may be permitted, and in some cases may be required, to employ or retain a managing agent to assist the developer in managing the project.

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

not affiliated with developer
 self-managed

the developer or the developer's affiliate.
 other _____

The developer has entered into an agreement for management of Waipahu Towers with HAPI Management Inc. which is currently on a year-to-year term at a fee computed and payable monthly pursuant to a management agreement between the developer and HAPI Management, Inc. Each member of the developer should bear in mind that the management agent takes its assignments from the president of the board of directors, speaking for the board, and not from individual members of the developer.

- B. Estimate of Initial Occupancy Charges

The developer will assess occupancy charges for each membership interest, which will be applied to payments on the mortgages on the project and to provide funds for the operation and maintenance of the project. If you are delinquent in paying the assessments, your membership may be terminated. Regular operation and maintenance fees for the project are included in occupancy charges. Occupancy charges may vary depending on the services provided.

- C. Utility Charges for Dwelling Units:

Each dwelling unit will be billed separately for utilities except for the following checked utilities which are included in the occupancy charges.

None Electricity Gas Water
 Sewer Television Cable Other _____

V. MISCELLANEOUS

- A. Documents Filed With the Real Estate Commission: All documents listed in Section V.B.1. below.
- B. Buyer's Right to Cancel Subscription Agreement: The prospective member has a right to withdraw from the subscription agreement by providing written notice to the developer within five (5) calendar days after the execution of the subscription agreement. If the prospective member provides timely written notice of his or her desire to withdraw from the subscription agreement, all deposits will be returned and the subscription agreement will terminate. There is no cancellation fee charged to a prospective member who exercises his or her right to withdraw.
1. Rights Under the Subscription Agreement: Before signing the subscription agreement, prospective members should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the prospective member should ask the developer for the most recent drafts. These documents include:
- A) Articles of Incorporation
 - B) Bylaws of the Cooperative
 - C) Occupancy Agreement
 - D) Subscription Agreement
 - E) House Rules
 - F) Disclosure Statement
 - G) Notice of Blanket Encumbrances
 - H) Statement of Substantial Defects or Malfunctions
 - I) Notice of Membership Price and Initial Occupancy Charges
 - J) Escrow Agreement and Specimen Escrow Instructions
 - K) Title Report
 - L) Securities Exemption Application
 - M) Report of Condition of Architect or Engineer
 - N) Developer's Statement of Representation as to Useful Life
 - O) Certificate From County Regarding Compliance With Zoning and Building Codes
 - P) Certificate of Good Standing

Copies of the foregoing are available through the developer, Waipahu Towers Cooperative, 94-337 Pupumomi Street, #106, Waipahu, Hawaii 96797.

This Final Public Report is a part of Registration No. 3735 filed with the Real Estate Commission on 4/25/97.

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

Sale of these membership interests in the Waipahu Towers Cooperative are exempt from securities registration requirements by action of the Commissioner of Securities of the State of Hawaii.

- 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.

Dated: Waipahu, Hawaii September 9, 1997

Developer: WAIPAHU TOWERS COOPERATIVE

By: Charlelynn M. Huddleston
Charlelynn M. Huddleston, President

Distribution:

Department of Finance, City and County of Honolulu
Planning Department, City and County of Honolulu
United States Department of Housing and Urban Development,
Federal Housing Administration

DISCLOSURE STATEMENT

TO APPLICANTS FOR MEMBERSHIP IN

WAIPAHU TOWERS COOPERATIVE A Limited Equity Housing Cooperative (hereinafter called the "Cooperative")

I. INTRODUCTION

"Cooperative" housing means cooperative (or joint) operation of a housing development by those who live in it. All of the property of a cooperative housing development is owned by a corporation. The cooperative corporation holds title to the dwelling units and directly assumes the mortgage, tax and other obligations necessary to finance and operate the development. This means that the cooperative members are not directly responsible for those items. The corporation's "Articles of Incorporation" and "Bylaws" are specially designed so the corporation can be owned and operated by its members. A cooperative member does not directly own his or her dwelling unit or any interest in any other portion of the building or land. Instead, he or she owns a membership interest in the corporation. The membership interest carries with it the exclusive right to occupy a dwelling unit and to participate in the operation of the corporation directly as an elected member of the Board of Directors or indirectly as a voter.

A subscription for membership in a cooperative housing development is more than an application for a place to live. It leads to your participation in the cooperative ownership and operation of a housing development such as Waipahu Towers. The cooperative approach to housing instills pride of ownership resulting in a deeper interest in maintaining the property and participating in civic affairs. A cooperative is operated on a democratic basis. It gives the cooperative members a greater insight and appreciation of the democratic process in general. Cooperative members normally occupy their dwelling units for longer terms than renters. As a result, cooperative members become better acquainted with their fellow residents and learn to work together for the overall betterment of the property and the community. This working together also makes for better understanding between individuals of different backgrounds and income levels.

The intent of the Cooperative is to provide affordable and secure housing at Waipahu Towers now and in the future. To that end, the Cooperative is designed to qualify as a limited equity housing cooperative under Hawaii law. THIS MEANS THAT, AMONG OTHER THINGS, THE ORIGINAL PURCHASE PRICE FOR MEMBERSHIP INTERESTS AND THE COOPERATIVE MEMBER'S RETURN ON HIS OR HER INVESTMENT IN THE MEMBERSHIP INTEREST ARE LIMITED UNDER STATE LAW AND THE BYLAWS IN ORDER TO PRESERVE WAIPAHU TOWERS AS AFFORDABLE HOUSING IN THE FUTURE.

EXHIBIT A

Cooperative housing may offer the following financial benefits for members:

1. A limited equity housing cooperative is operated on a nonprofit basis. Increases in the monthly housing costs are limited to actual increases in operating costs. This means the owner's profit that exists in most rental projects is absent with the exception of the limited return on membership interests discussed in paragraph X below.
2. Maintenance costs in a well-operated cooperative may be minimized because experience has shown that cooperative members take better care of their property than renters.
3. A limited return, as described in paragraph X below, is allowed on the resale of the membership interest.

This Disclosure Statement is intended to provide general information concerning the Cooperative. In addition, each applicant is urged to study the Articles of Incorporation, Bylaws, House Rules, Occupancy Agreement and Subscription Agreement, copies of which will be provided to each applicant upon execution of a receipt. These documents contain important information on the use and occupancy of the units and common areas at Waipahu Towers, as well as the rules of conduct for Cooperative members and their guests. All of these documents are based on model forms developed by the U. S. Department of Housing and Urban Development ("HUD"), revised to bring them up to date and comply with state law. Revisions to these model forms have been approved by HUD.

The Subscription Agreement is the document by which you apply for membership in the Cooperative. The Occupancy Agreement describes the terms and conditions under which you will occupy one of the dwelling units at Waipahu Towers. The Articles of Incorporation and Bylaws set forth the authority and methods of operation of the Cooperative. It is strongly urged that you read these documents to gain a complete understanding of the Cooperative before signing your Subscription Agreement.

II. COOPERATIVE METHOD OF OPERATION

The Cooperative has been incorporated as a nonprofit corporation under Hawaii law for the purpose of acquiring, owning and operating as cooperative housing the 64 units at Waipahu Towers. The Cooperative will be selling membership interests by Subscription Agreements which require a down payment or deposit of \$200.00 and the balance of the purchase price of your membership interest upon written demand of the Cooperative after you have been accepted for membership. The purchase price of the membership interest is sometimes also referred to as your equity investment. A resident will become a member of the Cooperative only after he or she receives written notification from the Cooperative that his or her subscription is accepted by the Cooperative. The Cooperative will deliver the membership certificate representing an interest in the Cooperative not later than 10 days after the resident's membership interest has been paid in full in accordance with the terms of the Subscription Agreement. Each member household of the Cooperative, regardless of the dollar

amount of their equity investment in the Cooperative, will have one vote in the affairs of the Cooperative as set forth in the Bylaws.

The affairs of the Cooperative will be conducted by a Board of Directors, elected by the Cooperative members from among the Cooperative members. The purpose of the Board of Directors is to eliminate decisions made by one individual in corporations. Elections to the Board of Directors will be held annually pursuant to the Bylaws. Any elected director who is not properly fulfilling his or her duties may be removed as set forth in the Bylaws.

The first annual meeting of Cooperative members will be held on the second Saturday of April 1998, or such other date as may be established by the Board of Directors, but in no event later than September 1998. Until the first election of the Board of Directors by Cooperative members, the Cooperative will be controlled by a Provisional Board of Directors, which will consist of the following named individuals: Charlelynn Huddleston, Irene Hall, Sandra Turk, Ulalofaiga Milaeke, and Sefo Sefo.

The Cooperative has entered into an agreement for management of Waipahu Towers with HAPI Management Inc. which is currently on a year-to-year term at a fee computed and payable monthly pursuant to a Management Agreement between the Cooperative and HAPI Management. Each Cooperative member should bear in mind that the management agent takes its assignments from the President of the Board of Directors, speaking for the Board, and not from individual Cooperative members.

The Cooperative may eventually develop its own resident management corporation to take over direct performance of property management, subject to HUD's approval, but it will take at least three years from the Cooperative's purchase of Waipahu Towers to develop the Cooperative's property management capacity.

In addition to engaging a management agent for the Cooperative, the Board of Directors performs other important duties such as setting eligibility standards for admission to Cooperative membership in accordance with the Bylaws and HUD's regulations, determining the degree and type of maintenance and service of Waipahu Towers, making rules and regulations for the use and occupancy of Waipahu Towers and the dwelling units, and adopting annual operating budgets subject to the approval of HUD which show occupancy charges adequate to meet the Cooperative's operating costs.

Committees may be established by the Board of Directors and made up of Cooperative members to recommend policies to the Board of Directors which affect overall operation of the Cooperative. All Cooperative members are encouraged to participate actively on any committees.

III. FINANCING THE COOPERATIVE

The Cooperative purchased Waipahu Towers for \$8,000,000.00 on May 16, 1995. Repairs and rehabilitation of Waipahu Towers in the amount of approximately \$2,707,917.00, based on a rehabilitation plan prepared on behalf of the Cooperative and approved by HUD, have been substantially completed as of 1997.

The acquisition and rehabilitation of Waipahu Towers has been paid from the following sources. A first mortgage loan in the approximate amount of \$1,182,590.00, was assumed by the Cooperative. The interest rate on this loan, after accounting for the Section 236 interest subsidy, is 1% per year, and the loan is due and payable in 2010. A second mortgage loan in the approximate amount of \$6,517,500.00 insured by HUD under Section 241(f) of the National Housing Act was obtained by the Cooperative from TRI Capital Corporation. The interest rate on this loan is 7.25% per year and it is due and payable in June, 2035. The proceeds of this loan were obtained by the sale of tax-exempt bonds issued by the City and County of Honolulu. HUD also has made available to the Cooperative a grant in an amount of \$4,370,743.00. In addition to the first and second mortgage loans and the HUD grant, the City and County of Honolulu provided the Cooperative a loan in the amount of \$340,246.00. The interest rate on this loan is 1% per year and it is due and payable in 2035.

CAUTION: All applicants for Cooperative membership should be aware that it is absolutely necessary to generate sufficient funds for monthly mortgage payments from all units at Waipahu Towers to make the payments on these loans. Even if all Cooperative members are current in their payments of monthly occupancy charges to the Cooperative, if the Cooperative defaults on its mortgage payments while it holds title to Waipahu Towers, all rights of Cooperative members could be terminated.

IV. FUNCTION OF HUD IN CONNECTION WITH THIS PROJECT

If the terms of the HUD Insurance Commitments are complied with, HUD will, under Sections 236 and 241(f) of Title II of the National Housing Act, insure the first and second lenders against loss by reason of any default of the Cooperative in its obligations under the mortgages. HUD, as insurer of such mortgage loans, does not insure individual Cooperative members against loss. The amounts paid by a Cooperative member for his or her membership interest will be handled in accordance with the provisions of the Bylaws. Such funds will not be deposited with or otherwise be under the control or responsibility of HUD.

V. REHABILITATION OF WAIPAHU TOWERS

The Cooperative engaged the services of various consultants, including architects and engineers, to oversee and carry out rehabilitation and repair at Waipahu Towers. The consultants' reports may be examined by prospective Cooperative members at the address listed for the Cooperative at the end of this Disclosure Statement.

The Board of Directors and/or Officers of the Cooperative have authorized and executed such agreements and documents as they deemed appropriate for rehabilitation of Waipahu Towers. All dwelling units at Waipahu Towers have been rehabilitated on behalf of the Cooperative by a general contractor selected by the Cooperative. The rehabilitation consisted generally of the tasks described in the attached **Exhibit A**, which resulted from the consultants' and HUD's evaluation of the physical condition of Waipahu Towers.

VI. ASBESTOS

A preliminary environmental assessment of Waipahu Towers was conducted by Unitek Environmental Consultants, Inc. The assessment revealed the presence of asbestos in some building materials, such as the sprayed-on acoustical ceilings. In many instances, the asbestos was found to be friable with some degree of physical damage. The asbestos containing materials were removed from Waipahu Towers as part of the rehabilitation program.

VII. LEAD PAINT

Waipahu Towers has been tested by Unitek for the presence of lead based paint. No levels of lead-based paint in excess of federal standards were found.

VIII. LOCATION OF THE PROJECT

Waipahu Towers covers a portion of one city block. All the units are located in one 8-story tower on Pupumomi Street in Waipahu, Hawaii. A list of addresses at Waipahu Tower is attached as **Exhibit B**. A variety of businesses and services are located within several blocks of Waipahu Towers.

IX. DESCRIPTION OF STRUCTURES

The 64 units that make up the Cooperative are located in one 8-story building. There are two different sized units: two one-bedroom apartments (approximately 589 square feet) and 62 two-bedroom apartments (approximately 779 square feet). Each unit includes a parking space in the adjacent parking structure. Sketches of the layouts of each of the

different types of units are attached to this Disclosure Statement as **Exhibit C**. Waipahu Towers is approximately 25 years old.

X. OWNERSHIP OF REAL ESTATE

The Cooperative owns Waipahu Towers in fee simple, subject to the mortgages and other encumbrances or restrictions described in this Disclosure Statement and the Title Insurance policy obtained by the Cooperative. The title to Waipahu Towers is held by the Cooperative corporation and not by individual Cooperative members. Each Cooperative member's interest in the Cooperative corporation is limited to the transfer value of his or her membership interest (as described below) and the right to occupy his or her dwelling unit pursuant to the terms and provisions of the Occupancy Agreement. Cooperative members pay monthly occupancy charges to the Cooperative as set forth in the Occupancy Agreement.

The method by which Cooperative members may sell their membership interests is restricted by the Bylaws of the Cooperative. Except for certain transfers by Cooperative members to eligible family members as described in the Bylaws, the Cooperative has first right to purchase the membership interest. The price for which the membership interest can be sold (referred to as the transfer value) is limited under the Bylaws and Hawaii law to the sum of (1) the amount paid for the membership interest by the initial Cooperative member, plus a limited inflation allowance or appreciation interest (not to exceed 10% per year) as determined in accordance with the Bylaws; and (2) the value, as determined by the Cooperative's Board of Directors, of any improvements installed in the unit by a Cooperative member at his or her own expense with the Board's prior written approval.

XI. REGULATORY AGREEMENTS

The Cooperative is subject to two Regulatory Agreements in accordance with the requirements for the mortgage insurance described above. These Regulatory Agreements require that the Cooperative obtain HUD's approval prior to making substantial improvements at Waipahu Towers and further require the Cooperative to adequately maintain Waipahu Towers and to restrict sale of membership interests to residents of Waipahu Towers as of the date of this Disclosure Statement or in the future to households of very low-, low- or moderate-income. For purposes of selecting future Cooperative members, very low-income means household income less than 50% of median income for the area; low-income means household income between 50% and 80% of median income for the area; and moderate income means household income above 80% but less than 95% of median income for the area.

Each of the Regulatory Agreements places certain restrictions and obligations on the Cooperative and its method of operation in exchange for benefits being provided by HUD. The Regulatory Agreements do not, however, relieve the Cooperative of any obligations for its operation of the Cooperative. It is the Cooperative's responsibility to make and carry out

arrangements for the maintenance of Waipahu Towers, collecting monthly occupancy charges, handling subscription funds, admitting Cooperative members and all other business of the Cooperative. Copies of the Regulatory Agreements are available for your review at the Cooperative's office at the address listed at the end of this Disclosure Statement.

XII. VALUE OF MEMBERSHIP INTERESTS

The following is a chart of dwelling units at Waipahu Towers, value attributed to the unit before and after rehabilitation, percentage value of the unit in relation to total value of Waipahu Towers and required initial purchase prices for membership interests.

Dwelling Unit Designation	Value Allocated to Unit As Is	Value Allocated to Unit After Rehabilitation	Proportionate Factor of Membership Price to Unit Valuation	Initial Purchase Price of Membership Interests
1-Bedroom (589 sq. ft.)	\$95,238.00	\$127,478.00	0.0089	\$845.00
2-bedroom (779 sq. ft.)	\$125,960.00	\$168,600.00	0.0095	\$1,200.00

The initial purchase price for a membership interest varies by unit size but each Cooperative member will pay the same percentage of his or her unit's value for his or her membership interest. The value of each unit is determined by (i) dividing the value of Waipahu Towers as determined by HUD as of the date of calculation by the total square footage of all dwelling units at Waipahu Towers to establish a development cost per square foot, and (ii) multiplying the development cost per square foot by the total square footage of each dwelling unit.

XIII. SCHEDULE OF MONTHLY OCCUPANCY CHARGES FOR EACH TYPE OF DWELLING UNIT

Dwelling Unit Designation	Project Specific Rents	HUD's FMR FY 1997
1-Bedroom (589 sq. ft.)	\$1,152.00	\$570.00
2-bedroom (779 sq. ft.)	\$1,331.00	\$747.00

The monthly occupancy charges that the Cooperative will receive for each type of dwelling unit at Waipahu Towers will be 120% of HUD's Section 8 Fair Market Rents for units occupied by families receiving Section 8 assistance or 90% of comparable rents for similar units in the vicinity of Waipahu Towers, called Project Specific Rents, for units

occupied by non-Section 8 families. These are the monthly occupancy charges that were used to calculate the 241(f) loan obtained by the Cooperative as described in paragraph III above.

Monthly occupancy charges to be paid to the Cooperative are based on the amount needed to meet the Cooperative's expenses and to maintain adequate reserves. A summary of the operating budget for Waipahu Tower is attached to this Disclosure Statement as **Exhibit D**. The detailed operating budget upon which these monthly occupancy charges are based may be examined by prospective Cooperative members at the address listed for the Cooperative at the end of this Disclosure Statement. It includes such expenses as management fees, maintenance as specified in the management plan, insurance and mortgage payments. The Cooperative's operating budget will be revised at least once a year and is subject to HUD's review and approval.

Pursuant to the Plan of Action approved by HUD under the Low-Income Housing Preservation and Resident Homeownership Act of 1990, as amended, in connection with the Cooperative's purchase of Waipahu Towers on May 16, 1995, monthly occupancy charges for residents of Waipahu Towers as of April 1995 will be phased in over three years. Cooperative members will pay in monthly occupancy charges the lesser of 30% of their adjusted monthly household income, 90% of the Project Specific Rent or HUD's Fair Market Rent. If a Cooperative member is eligible for Section 8 assistance, HUD will pay the difference between 120% of HUD's Fair Market Rent for the Cooperative member's unit (as shown above) and the occupancy charges paid by the Cooperative member based on the formula in the preceding sentence. The Cooperative member's share of the occupancy charges and the amount of Section 8 assistance paid to the Cooperative each month on the Cooperative member's behalf are shown in the Basic Occupancy Information at the beginning of the Occupancy Agreement. If a resident of Waipahu Towers as of April 1995 would experience an increase in monthly occupancy charges of 30% or more as a result of the Plan of Action, the increase will be phased in equally over a period of not less than three years. If the expected increase is greater than 10% but less than 30% it will be phased in at no more than 10% per year.

Monthly occupancy charges are estimated on the basis of 97% occupancy of dwelling units at Waipahu Towers. Excessive vacancy or collection losses may require an increase in monthly occupancy charges. Increases may also be necessary in cases where insurance fees are raised, or the cost of utilities, supplies, maintenance and labor are increased. Increases may also result from decisions made by Cooperative members regarding the maintenance and operation of Waipahu Towers. The cost of paying the mortgage loans will normally remain constant because the payments to principal and interest have been computed in equal monthly installments covering the full term of the mortgages, in other words the monthly payments are fixed.

Part of the monthly occupancy charges are deposited in a reserve known as the Reserve for Replacement to pay for replacing structural components and mechanical equipment at Waipahu Towers when necessary. Another part of the monthly occupancy charges may be deposited in another reserve known as the General Operating Reserve or

Equity Share Fund, which is intended to be available for unforeseen events and to finance purchases and resales of membership interests in the Cooperative.

XIV. LATE CHARGES

The attached Occupancy Agreements, which will govern Cooperative members' occupancy of units at Waipahu Towers, provides for the payment of late fees if a Cooperative member pays his or her monthly occupancy charges more than 5 days after the due date. The late charges required by the Occupancy Agreements may be higher than currently required at Waipahu Towers because of the increased importance of timely payments in a cooperative setting.

XV. POTENTIAL INCOME TAX BENEFITS

THE FOLLOWING IS SUBJECT TO CHANGES IN THE INTERNAL REVENUE CODE AND IRS RULINGS.

Because the Corporation has applied for tax-exempt status with the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code, as amended, Cooperative members will not be eligible for the potential federal income tax deductions allowed to tenant-stockholders of cooperative housing corporations under the provisions of Section 216 of the Internal Revenue Code.

Cooperative members who sell their membership interests when permanently leaving Waipahu Towers will have available to them the same basic federal income tax benefits and disadvantages that are available to homeowners who sell their homes. That is, any income gained from the sale of the membership interest may be "rolled over" into a new residence purchased within the time period required by the IRS, or it will be taxed as income.

XVI. FAMILY INCOME AND OCCUPANCY LIMITATIONS

Waipahu Towers has been acquired by the Cooperative corporation and will be converted to a limited equity housing cooperative pursuant to the Plan of Action approved by HUD. Under the Plan of Action, no existing residents of Waipahu Towers as of February 1995 can be displaced without cause as a result of the Cooperative's acquisition of Waipahu Towers. The Plan of Action also requires the Cooperative to maintain the same proportions of very low- and low- income families that existed at Waipahu Towers on January 1, 1990, based on the area median income limits established in February, 1990. This is approximately 55 very low-income families and 8 low-income families. As a result, Cooperative membership will be limited to existing households at Waipahu Towers, or in the future, to persons or families of very low- and low-income.

The Cooperative has entered into a Housing Assistance Payment (“HAP”) Contract with HUD for Section 8 assistance, whereby eligible Cooperative members will have a portion of their monthly occupancy charges paid directly to the Cooperative by HUD. Section 8 assistance is available to all very low- and low-income Cooperative members, subject to continued authorization by law and availability of appropriated funds. Section 8 assistance for eligible Cooperative members will amount to the difference between 30% of a Cooperative member’s adjusted monthly household income and the monthly occupancy charges for his or her unit. Section 8 assistance may increase or decrease based on changes in an eligible Cooperative member’s adjusted monthly household income. Cooperative members receiving Section 8 assistance will be required to certify their household’s adjusted income at least once each year, more often if their income changes significantly. Eligibility requirements for Section 8 assistance are subject to change pursuant to federal law and regulation.

To achieve the purposes of the Section 8 program, to make certain that the apartment units at Waipahu Towers are being used to the highest advantage, and to comply with applicable Fair Housing laws and regulations, the Cooperative has established and will seek to adhere to reasonable occupancy standards and guidelines at Waipahu Towers. These guidelines are distinct and separate from the maximum income limits discussed above and are designed to provide for varying needs without underutilization or overcrowding of housing accommodations.

Number of Bedrooms	Number of Persons	
	Minimum	Maximum
1	1	4
2	2	6

Certain modifications of these occupancy guidelines may be permitted where justified because of factors such as the age, health or disability of Cooperative members or the existence of unusual circumstances.

XVII. EFFECT OF COOPERATIVE MEMBERSHIP ON FIRST-TIME HOME BUYER STATUS

From time to time, various state and local agencies may offer first-time home buyer programs. Whether a limited equity housing cooperative member will be eligible for such programs will depend on the eligibility provisions of each program. Residents may wish to obtain additional information regarding policies with respect to “first-time home buyers” prior to purchasing a membership interest. A “first-time home buyer” is defined in the Internal Revenue Code as a person who neither has nor has had a present ownership interest in a principal place of residence during the previous three years.

XVIII. RIGHT OF APPLICANT TO WITHDRAW AFTER SIGNING SUBSCRIPTION AGREEMENT

For a period of five days after signing the Subscription Agreement, an applicant may withdraw his or her application for membership in the Cooperative and obtain a return of his or her deposit, provided the applicant notifies the Cooperative to this effect in writing within this time period. (See Subscription Agreement.)

XIX. MEMBERS SUBSCRIPTION SUBJECT TO ACCEPTANCE BY COOPERATIVE

Cooperative membership is not assured unless and until an application and subscription has been accepted by the Cooperative. (See Subscription Agreement.)

XX. LEAVING THE COOPERATIVE

If after joining the Cooperative and taking occupancy of his or her unit, a Cooperative member wishes to move from the Cooperative, he or she may transfer or sell his or her membership interest in accordance with the terms of the Bylaws. If the Cooperative member does not transfer his or her membership interest to an eligible family member pursuant to the Bylaws, the Cooperative will purchase the membership interest for its transfer value (as described in paragraph X above).

Cooperative members shall in no event be entitled to receive any sum in excess of the transfer value for their membership interests. If the property of the Cooperative is ever sold, any sums remaining after payment of existing encumbrances (mortgages and other debts) and the transfer values of the outstanding membership interests will be dedicated to public benefit or charitable purposes.

XXI. HUD APPROVAL OF INFORMATIONAL LITERATURE

This Disclosure Statement is the only informational literature which has been approved by HUD. The other documents listed in paragraph I above have been approved as to form by HUD. HUD has not examined nor approved any advertising or other informational material in connection with the Cooperative.

XXII. ADDITIONAL INFORMATION

In this Disclosure Statement, the Cooperative has tried to summarize pertinent facts concerning its undertaking and the rights and obligations of Cooperative members. There

may be other points which have not been covered in the Disclosure Statement. If you wish to obtain further information, please feel free to communicate with:

Name _____

Address _____

Tel. No. _____

Before signing this Disclosure Statement, you should read and thoroughly understand the Subscription Agreement, Occupancy Agreement, Articles of Incorporation and Bylaws.

WAIPAHU TOWERS COOPERATIVE
94-337 Pupumomi St., #103, Waipahu, Hawaii
(Telephone No. 671-0162)

President
(or other Cooperative officer)

RESIDENT(S): _____

EXHIBIT A

(Summary of Rehabilitation Plan)

The following items were repaired or replaced as part of the recent rehabilitation of Waipahu Tower on behalf of the Board of Directors and/or Officers of the Cooperative. The General Contractor was U.S. Pacific Builders, Inc. and all work was completed as of August, 1997. Warranty period began at the time of beneficial occupancy, and therefore will vary throughout the project.

The following items were originally described in the ARCHITECTURAL ASSESSMENT REPORT FOR WAIPAHAU TOWERS, 94-337 Pupumomi Street, Waipahu, Hawaii 96797, TMK: 9-4-39: 48, HUD PROJECT #140-44012-LDP, August 1994.

ITEM

NO. DESCRIPTION

- 1 Provide ADA Accessibility (Ramp & Parking stalls)
- 2 Relocate LPG Tank
- 3 Relocate and Repair Chain Link Fence at Street Entry
- 4 Repair Asphalt Driveway
- 5 Repair Spalling Concrete
- 7 Replace Guardrails at Lanai
- 10 Provide new Mech. Equip. Clamps on Roof
- 13 Repair all Patches on Corridor Walls
- 15 Provide Stairwell Exit Alarm Hardware
- 16 Repair & Replace Laundry Room Doors
- 17 Provide Fire Stopping at floor penetrations
- 19 Replace Electrical Outlet, Switches & Receptacles & Light Fixtures
- 21 Replace all Entry Doors to Units
- 22 Replace all Interior Doors (rooms & Closets)
- 23 Replace Bath Room and Kitchen Floors w/Sheet Vinyl
- 24 Remove & Replace Plumbing Walls & Fixtures
- 25 Provide Safety Grille at Jalousie Windows
- 26 Remove Asbestos Containing Materials (Vinyl Floor and Acoustic Ceiling)
- 27 Replace Kitchen Cabinets
- 28 Replace Kitchen Sinks
- 29 Replace Bathroom Screens
- 30 Replace Window Screens
- 31 Replace Shower Curtain Rod
- 32 Replace Floor Base
- 33 Repair & Replace Kitchen & Bath Vents
- 34 Replace Drapery Rods
- 35 Paint Interior Walls

ITEM

NO. DESCRIPTION

- 36 Provide New Acoustic Ceiling
- 43 Provide New Security Lighting
- 44 Provide New Main Building Entry/Enterphone
- 47 Replace all Vinyl Tile
- 48 Provide Exterminating
- 49 Replace Range and Provide Range Hoods
- 50 Replace and Provide Additional Smoke Detectors
- New Landscaping
- New Landscape Irrigation
- New Waterproof Coating at Parking Garage
- Provide new Security Cameras and Recording Equipment
- Replace Tot Lot and Provide Barbeque area
- Provide new Unit Signs and Exhibit Signs

In addition, during the course of construction, the following items were also addressed:

DESCRIPTION:

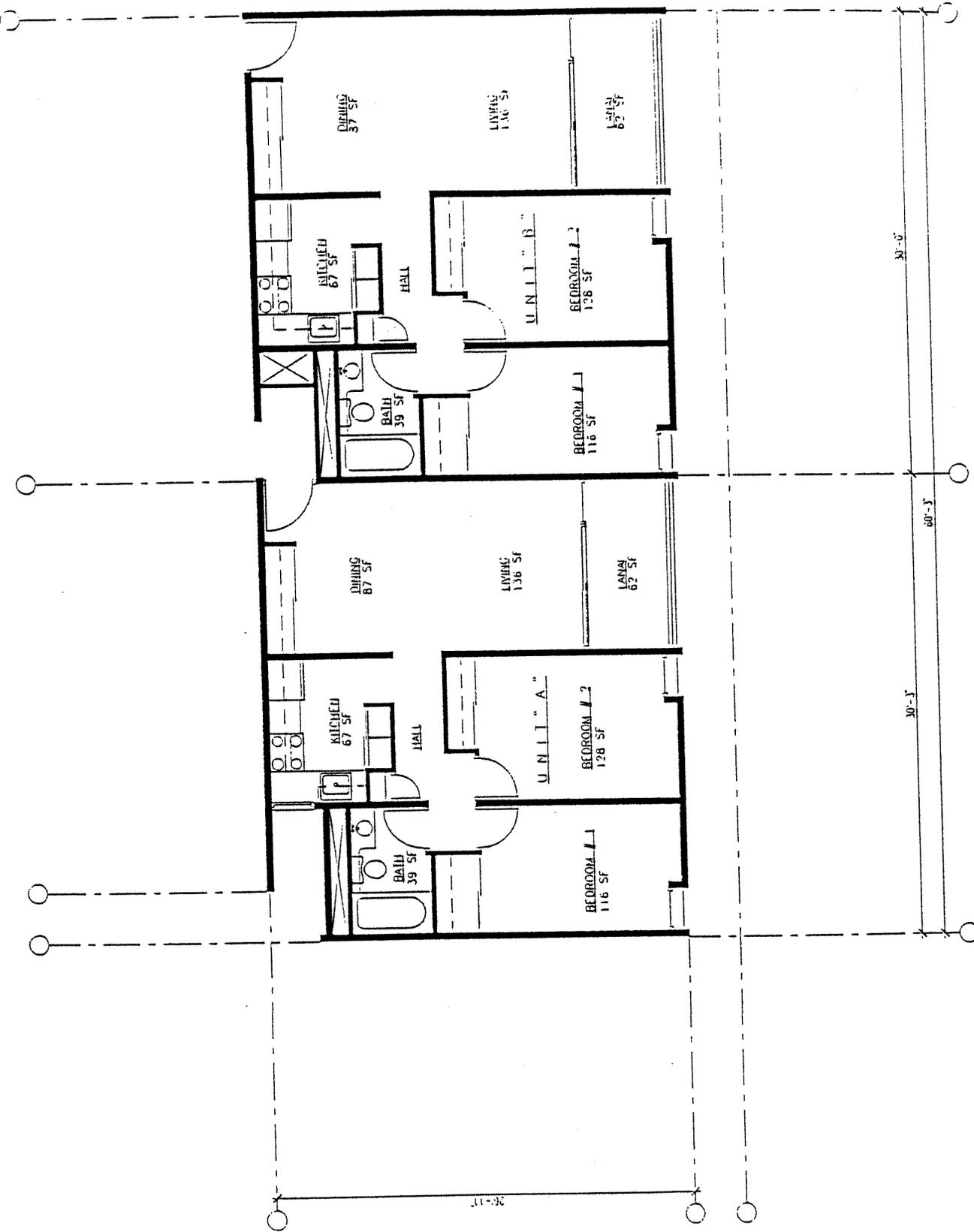
- Replace Waste Piping as required.
- Provide new Vertical Blinds at Living Room
- Replace Entry Doors
- Provide Fire Extinguishers
- Provide new Door Chimes for each Unit
- Provide new Elevator Fire Alarm & Fire Alarm in Corridors
- ADA upgrade and Re-furbish Elevator

EXHIBIT B
(List of Addresses at Waipahu Tower)

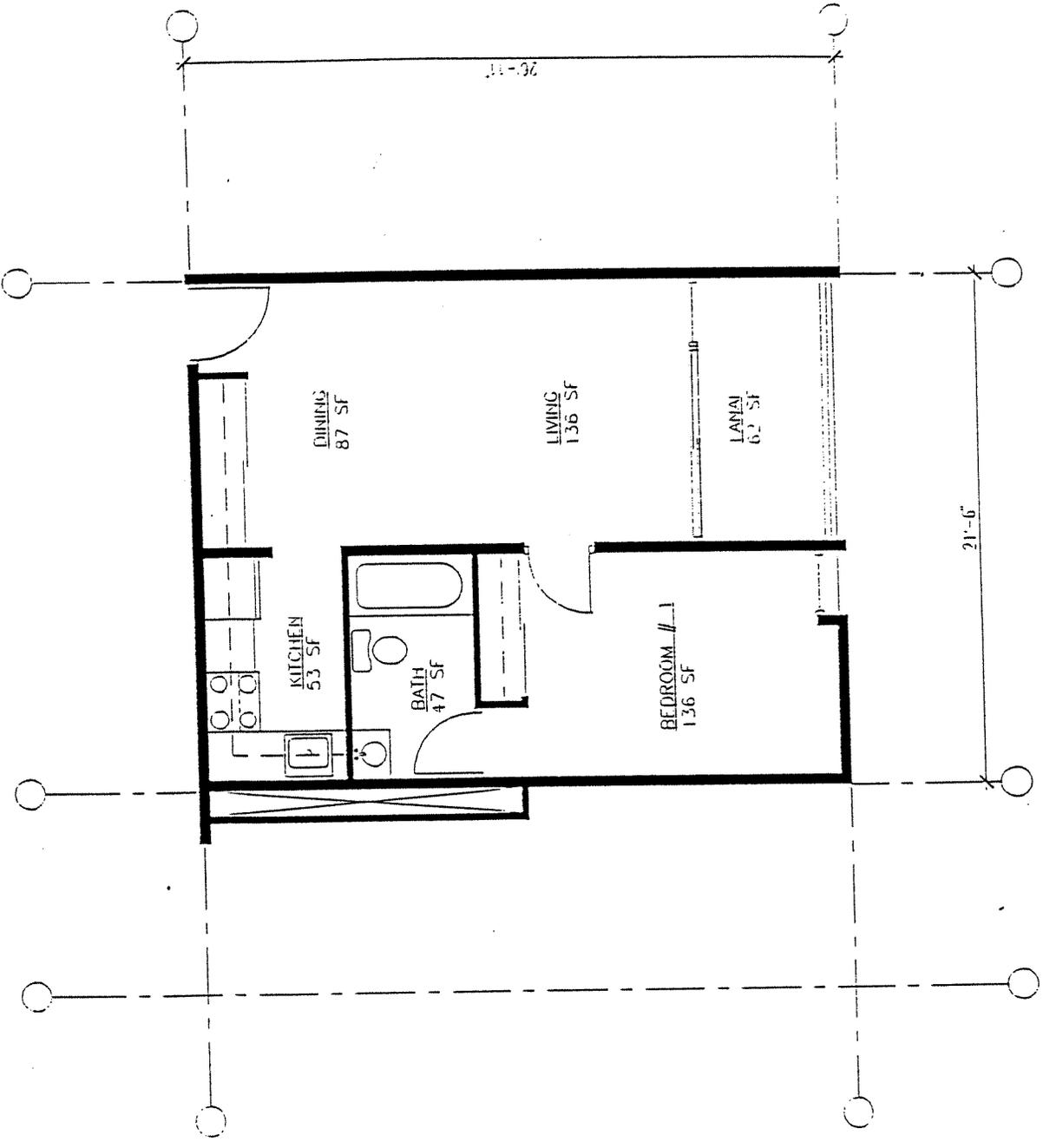
94-337 Pupumomi Street, Waipahu, HI 96797

Apt Nos.: 101 - 108
201 - 208
301 - 308
401 - 408
501 - 508
601 - 608
701 - 708
801 - 808

EXHIBIT C



TYPICAL UNIT "A" AND "B"
WAIPAHI TOWER



TYPICAL UNIT "C"
WAIPAHU TOWER

Statement of Encumbrances

I. The encumbrances against title appearing in the title report dated May 16, 1995 are as follows:

1. (A) MORTGAGE

MORTGAGOR : PETER HWEI-YANG HSI and PRISCILLA LAI-FONG
HSI, General Partners of WAIPAHAU TOWER, a
limited partnership, registered to do
business in the State of Hawaii

MORTGAGEE : HAWAII NATIONAL BANK, HONOLULU, a national
banking association

DATED : December 17, 1970
FILED : Land Court Document No. 522272
AMOUNT : \$1,542,600.00

ABOVE MORTGAGE AMENDED BY INSTRUMENT

DATED : July 1, 1972
FILED : Land Court Document No. 590350

ABOVE MORTGAGE, AS AMENDED, ASSIGNED

TO : FEDERAL NATIONAL MORTGAGE ASSOCIATION, a
corporate instrumentality of the United
States

DATED : September 12, 1972
FILED : Land Court Document No. 602453

AGREEMENT TO ASSUME MORTGAGE AND PROMISSORY NOTE AND
RELEASE dated May 1, 1995, filed as Land Court Document No.
2237611, by and between WAIPAHAU TOWERS COOPERATIVE, a
Hawaii nonprofit corporation, "Purchaser", and FEDERAL
NATIONAL MORTGAGE ASSOCIATION, a corporation organized and
existing under the laws of the United States of America,
"Mortgagee"; re: Purchaser shall and does hereby assume and
agree to pay the unpaid balance of the Note secured by said
above mortgage, and Peter Hwei-Yang Hsi, shall be released
and discharged of all further liability under said Note
secured by said mortgage.

(B) REGULATORY AGREEMENT FOR LIMITED DISTRIBUTION MORTGAGORS UNDER SECTION 236 OF THE NATIONAL HOUSING ACT, AS AMENDED, dated December 17, 1970, filed as Land Court Document No. 522273, between PETER HWEI-YANG HSI and PRISCILLA LAI-FONG HSI, husband and wife, General Partners of WAIPAHE TOWER, a Hawaii limited partnership, and SECRETARY OF HOUSING AND URBAN DEVELOPMENT, acting by and through the Federal Housing Commissioner.

"By the terms of the above described mortgage, the terms of said Regulatory Agreement are incorporated therein by reference."

AGREEMENT TO ASSUME REGULATORY AGREEMENT AND RELEASE dated May 1, 1995, filed as Land Court Document No. 2237612, by and between WAIPAHE TOWERS COOPERATIVE, a Hawaii nonprofit corporation, "Purchaser", and the UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, by and through the Federal Housing Commissioner, "Commissioner", re: Purchaser hereby assume and agree to be bound by and observe and perform all of the covenants as contained in said above Regulatory Agreement, and PETER HWEI-YANG HSI, his heirs, personal representatives and assigns, shall be released of all further liability under said Regulatory Agreement.

2. REGULATORY AGREEMENT FOR NONPROFIT MORTGAGORS UNDER SECTION 236 OF THE NATIONAL HOUSING ACT, AS AMENDED (U.S. Department of Housing and Urban Development Housing - Federal Housing Commissioner) dated May 1, 1995, filed as Land Court Document No. 2237613, between WAIPAHE TOWERS COOPERATIVE, a Hawaii nonprofit corporation, and SECRETARY OF HOUSING AND URBAN DEVELOPMENT, acting by and through the ASSISTANT SECRETARY FOR HOUSING - FEDERAL HOUSING COMMISSIONER.

"By the terms of the above described mortgage, the terms of said Regulatory Agreement are incorporated therein by reference."

3. USE AGREEMENT AND AMENDMENT OF EXISTING REGULATORY AGREEMENT FOR NONPROFIT COOPERATIVE MORTGAGORS dated May 1, 1995, filed as Land Court Document No. 2237614, between the SECRETARY OF HOUSING AND URBAN DEVELOPMENT, by and through the Federal Housing Commissioner, and WAIPAHE TOWERS COOPERATIVE, a Hawaii nonprofit corporation.

4. (A) SECOND MORTGAGE

MORTGAGOR : WAIPAHEU TOWERS COOPERATIVE, a Hawaii
nonprofit corporation

MORTGAGEE : TRI CAPITAL CORPORATION, a California
corporation

DATED : May 1, 1995

FILED : Land Court Document No. 2237615

RECORDED ON: May 16, 1995 at 3:10 o'clock p.m.

AMOUNT : \$6,517,500.00

(B) AMENDMENT TO AMENDED EXISTING REGULATORY AGREEMENT
dated May 1, 1995, filed as Land Court Document No.
2237616, between WAIPAHEU TOWERS COOPERATIVE, a Hawaii
nonprofit corporation, and the SECRETARY OF HOUSING AND
URBAN DEVELOPMENT, by and through the Federal Housing
Commissioner.

5. ASSIGNMENT OF LESSOR'S INTEREST IN LEASES dated May 1,
1995, recorded as Document No. 95-065254, WAIPAHEU TOWERS
COOPERATIVE, a Hawaii nonprofit corporation, assigned to
TRI CAPITAL CORPORATION, a California corporation, all of
the right, title and interest in, to and under each and all
of the leases now or hereafter in effect covering all or
any part of the property described in Schedule C, but not
limited to, those certain leases described in Exhibit "B"
attached thereto, as security for the repayment of that
certain promissory note in the principal amount of
\$6,517,500.00, secured by that certain Mortgage dated May
1, 1995, filed as Land Court Document No. 2237615.
6. Rights of tenants as tenants only under unrecorded leases.
7. Encroachments or any other facts which a current boundary
and improvements survey would disclose.