CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer Schuler Homes, Inc.
Address 828 Fort Street Mall, 4th Floor, Honolulu, Hawaii 96813
Project Name(*): KAI NUI COURT
Address: Ainahou Street, Honolulu, Hawaii 96825

Registration No. 4619

Effective date: January 3, 2002
Expiration date: February 3, 2003

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:** (yellow) 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.

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

[ ] No prior reports have been issued.
[X] 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 _____

(*) Exactly as named in the Declaration

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2644 to submit your request.

FORM: RECO-30 286/986/189/1190/892/0197/1098/0800

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[ ] Required and attached to this report [X] 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.

[X] Changes made are as follows:

1. Amendment to Declaration of Condominium Property Regime dated June 6, 2001, filed in the Bureau of Conveyances of the State of Hawaii as Document No. 2001-086259, which amended and restated the following:

   a. Sections E.11 regarding the licenses and permits from the City and County of Honolulu for the public storm sewer system;
   b, Section I.6 regarding the planting of trees in the Private Yard Areas; and
   c. Section Q.7.regarding Refuse Collection.

   Buyers should review the amendment.

2. Private Parking Stall Nos. 1, 2 and 3 are designated as "Guest" parking stalls and are no longer available for sale to homeowners.

3. Exhibit F, the warranty provided to Residence purchasers, has been changed from the one year HUD "Warranty of Completion of Construction" to a Limited Warranty covering structural components for 10 years, major components for 2 years, and minor components for 1 year, subject to the limitations therein. Buyers should review the warranty attached as Exhibit F.

4. Exhibit J was changed from a Chronological Reservation System to a Lottery Number Reservation System.

5. The right to dock vessels of any kind in the canal bordering the Community is in the control of the Hawaii Kai Marina Association ("HKCMA"), Kamehameha Schools ("KS"), and possibly others. Docking may or may not be permitted. If docking is permitted, it may not be permitted for all the Residences fronting the canal. The Buyer of canal front Residences will have to secure necessary authorization and permits from the City and County , HKCMA, KS, and others with jurisdiction over the canal and pay any and all applicable fees and assessments attributable to such activity. There is no guaranty that docking of vessels will be permitted or that, if permitted, individual Residences will be billed directly for fees and assessments. Such fees and assessments may be billed only to the Association. In that event, an additional administrative and accounting cost may be levied to the benefited homeowners by the Association attributable to the administration of such billing. Such additional expenses may be assessed to the benefited canal front Residence owners as special assessments under the Declaration of Condominium Property Regime of Kai Nui Court.

6. Second Amendment to Condominium Map for Kai Nui Court (Condominium Map No. 3249) dated August 21, 2001, filed in the Bureau of Conveyances as Document No. 2001-130470.

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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 owner/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 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: Schuler Homes, Inc.
Name*
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

Phone: (808) 521-5661
(Business)

Names of officers and directors of developers who are corporations; general partners of a partnership; partners of a Limited Liability Partnership (LLP); or manager and members of a Limited Liability Company (LLC) (attach separate sheet if necessary):

James K. Schuler, Co-Chairman, President-CEO; Eugene S. Rosenfeld, Co-Chairman, Michael T. Jones, President; Hawaii Division, and Director, Craig A. Manchester, Executive Vice President and Chief Operating Officer, Pamela S. Jones, Executive Vice President, Chief Financial Officer, and Director, Thomas Connelly, Senior Vice President and Chief Financial Officer, C. Evan Knapp, Senior Vice President-California, Homebuilding Operations, Douglas M. Tonokawa, Vice President of Finance and Chief Accounting Officer, Harvey L. Goth, Vice President; Peter M. Aiello, Vice President, Mary K. Flood, Vice President; Thomas A. Bevilacqua, Assistant Secretary and Director, Frank S. Payne, Vice President; Larry Tucker, Assistant Secretary, Martin T. Hart, Director

Real Estate Broker*: Schuler Realty/Oahu, Inc.
Name
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

Phone: (808) 523-2359
(Business)

Escrow: Security Title Corporation
Name
1164 Bishop Street, Suite 1600
Business Address
Honolulu, Hawaii 96813

Phone: (808) 535-6000
(Business)

General Contractor*: Vertical Construction Corporation
Name
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

Phone: (808)521-5661
(Business)

Condominium Managing Agent*: Hawaiiana Management Company, Ltd.
Name
711 Kapiolani Boulevard, Suite 700
Business Address
Honolulu, Hawaii 96813

Phone: (808) 593-9100
(Business)

Attorney for Developer: Dennis M. Lombardi, Esq.
Name
737 Bishop Street, Suite 2600
Business Address
Honolulu, Hawaii 96813

Phone: (808) 547-5400
(Business)

* For Entities: Name of corporation, partnership, Limited Liability Partnership (LLP), or Limited Liability Company (LLC)

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
[X] Recorded - Bureau of Conveyances Document No. 2001-060114
Book _____ Page _____
[ ] Filed - Land Court Document Number _____

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

Amendment to Declaration of Condominium Property Regime of Kai Nui Court, Document No. 2001-086259.

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
[X] Recorded - Bureau of Conveyances Condominium Map No. 3249
[ ] Filed - Land Court Condominium Map No. _____

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

First Amendment to Condominium Map for Kai Nui Court (Condominium Map No. 3249), recorded as Document No. 2001-076390.

Second Amendment to Condominium Map for Kai Nui Court (Condominium Map No. 3249) dated August 21, 2001, recorded as Document No. 2001-130470.

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
[X] Recorded - Bureau of Conveyances Document No. 2001-060115
Book _____ Page _____
[ ] Filed - Land Court Document Number _____

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

D. **House Rules.** The Board of Directors may adopt House Rules to govern the use and operation of the common elements and 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 [X] 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:

	Minimum Set by Law	This Condominium
Declaration (and Condo Map)	75%*	100%
Bylaws	65%	65%
House Rules	---	E

* 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.

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

A. The Project consists of eleven (11) residential Residences. The Private Yard Areas associated with each Residence are not subdivided lots but rather exclusive limited common elements.

B. Upon completion of the Project, the Developer may amend the Declaration and the Condominium Map (if necessary) to file the "as built" verified statement required by Section 514A-12 of the Condominium Property Act.

C. Until all of the Residences have been sold, the Developer may amend the Declaration, the Bylaws and/or the Condominium Map to make such amendments as may be required by law, by the Real Estate Commission, by the title insurance company, by a mortgage lender, or by any governmental agency (including the VA, HUD, FNMA and/or FHLMC), provided that no such amendments change the common interest appurtenant to a Residence or substantially change the design, location or size of a Residence.

D. Until all of the Residences have been sold and the "as built" verified statement is filed, the Developer may amend the Declaration and the Condominium Map to (i) reflect alterations in any Residence which has not been sold; and (ii) reflect minor changes in any Residence or in the common elements which do not affect the physical location, design or size of any Residence which has been sold.

E. The Developer reserves the right to alter the product mix within this Community.

F. Developer may enter into a party wall agreement with the adjacent property owner to designate the tile wall on the Northern boundary of the Community.

III. THE CONDOMINIUM PROJECT

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

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

[ ] Leasehold or Sub-leasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

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

Lease Term Expires: _____ Rent Renegotiation Date(s): _____

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

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

For Sub-leaseholds:

[ ] Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:
[ ] Canceled [ ] Foreclosed

[ ] As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

[ ] Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Sub-leasehold:

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

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

Lease Term Expires: _____ Rent Renegotiation Date(s): _____

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

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

[ ] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. **Underlying Land:**

Address: Ainahou Street
Honolulu, Hawaii 96825

Tax Map Key (TMK): (1) 3-9-008-029

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

Land Area: 58,595* [X] square feet [ ] acre(s) Zoning: R-5

* Underlying land includes Lot 27, File Plan 2287, Lot 28, File Plan 2287, and Easement LS-1 shown on File Plan 2287.

Fee Owner: Schuler Homes, Inc.
Name

828 Fort Street Mall 4th Floor
Address

Honolulu, Hawaii 96813

Lessor: N/A
Name

Address

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 11 Floors Per Building 2

[ ] Exhibit _____ contains further explanations.

3. Principal Construction Material:

[X] Concrete [ ] Hollow Tile [X] Wood

[X] Other wood frames, metal, glass and other building materials.

4. Uses Permitted by Zoning:

	No. of Apts.	Use Permitted By Zoning		No. of Apts.	Use Permitted By Zoning	
[X] Residential	11	[X] Yes	[ ] No	[ ] Ohana		[ ] Yes [ ] No
[ ] Commercial		[ ] Yes	[ ] No	[ ] Industrial		[ ] Yes [ ] No
[ ] Mix Res/Comm		[ ] Yes	[ ] No	[ ] Agricultural		[X] 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 Declaration or Bylaws?
[X] 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:

[X] Pets: Reasonable number of common household pets, such as small dogs, cats, aquarium fish and bird. No livestock or poultry and no animals classified as "pests" or prohibited from importation under state statutes.

[X] Number of Occupants: No more than 2 persons per bedroom, not including children under 5 years old; no more than 3 persons per bedroom, including children under 5 years old; and otherwise only in accordance with any limitations imposed by state or municipal laws or ordinance.

[ ] Other: Residences shall be used for residential purposes only; no "time-sharing" permitted.

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Patio (sf)	Entry Area (sf)
S-2	1	4/ 2½	1,635	26	84
S-3	1	4/ 3	1,726		66
S-4	3	4/ 3	1,976		42
S-9	1	5/ 2½	2,533		85
3	1	3/ 2½	1,411		66
4	4	4/ 2½	1,575		16

Total Number of Apartments: 11

***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 Residence includes all walls, columns and partitions (both load bearing and not load bearing) which are within the Residence's perimeter walls including without limitation the Residence's perimeter walls, which are therefore included in the Residence square footage, the Residence's foundation, all floors, ceilings, doors, windows, sliding glass doors, screen doors, door frames and window frames, the air space within the Residence, the garage including its floor, foundation, ceiling, doors and perimeter walls, the lanais, if any, shown on the Condominium Map to the exterior edge of the exterior railings or other boundaries of such lanais, all rollers, locks, handles, tracks, and appurtenant hardware associated with all windows, doors and exterior automobile garage doors and all sliding or swinging screen doors and all glass window screens and all fixtures originally installed in the Residence, and all pipes, plumbing (including water heaters), wires, conduits and other utility or service lines and facilities servicing only the Residence. The Residences shall also include all load-bearing columns, girders, beams, building components and other elements included within each Residence. The Residence shall not include any pipes, shafts, wires, conduits or other utility or service lines running through a Residence which are utilized for or serve more than one Residence, all of which are deemed common elements as provided in the Declaration.

Note regarding Net Living Areas: Throughout the Kai Nui Court documentation, the area of individual Residences is generally expressed as "net living area" square footage. This measurement represents the architect's best estimate of the interior square footage of the Residence as measured from the Residence's perimeter walls which are included in the Residence. This measurement is based upon the plans for the construction of the Residence and different architects performing the same measurement may obtain a larger or smaller result.

Permitted Alterations to Apartments: Alterations or additions solely within a Residence or within a limited common element appurtenant to and for the exclusive use of a Residence shall require the written approval of the Department of Planning and Permits, the Board of Directors and all Residence owners directly affected, as determined by the Board of Directors. Any alteration or addition different in any material respect from the Condominium Map shall be commenced only pursuant to an amendment to the Declaration, as provided in Section M of the Declaration, and must comply with the Design Guidelines of Sections M and S of the Kai Nui Court Declaration.

Apartments Designated for Owner-Occupants Only:
Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 37

	Regular Covered	Regular Open	Compact Covered	Compact Open	Tandem Covered	Tandem Open	TOTAL
Assigned	2 (for each unit)	8**					30
Guest	5						5
Unassigned							
Extra for Purchase							
Other:							
Total Covered & Open:	35		0		0		35

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

**Each Residence includes a two-car enclosed garage. Residence Nos. 3, 7, 8 and 11 have in addition one (1) driveway parking stall.
Residence Nos. 9 and 10 have in addition two (2) driveway parking stalls.

Private Parking Stall Nos. 1, 2 and 3 are designated as "Guest" parking stalls.

[ ] Commercial parking garage permitted in condominium project.
[ ] Exhibit _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities.

[ ] There are no recreational or common facilities.

[ ] Swimming pool [ ] Storage Area [ ] Recreation Area

[ ] Laundry Area [ ] Tennis Court [ ] Trash Chute/Enclosure(s)

[X] Other: Entry Gate system

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

[X] There are no violations. [ ] Violations will not be cured.

[ ] Violations and cost to cure are listed below: [ ] Violations will be cured by _____ (Date)

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

N/A

11. Conformance to Present Zoning Code

a. [X] 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.

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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:

[X] described in Exhibit B.

[ ] as follows:

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

[ ] There are no limited common elements in this project.

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

[X] described in Exhibit 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:

[X] described in Exhibit D.

[ ] as follows:

The rights reserved to the Developer to alter the Residences in the Community (see Items 1 and 2), may result in alteration of the common interest and attendant voting rights of a homeowner. See Section F.2 of the Declaration that provides:

The common interest and easements appurtenant to each Home shall have a permanent character and shall not be altered except as noted in Section F2 of the Declaration. The common interest, voting rights and easements appurtenant to each Home may be altered (diminished or increased) by a Recorded amendment to this Declaration: (a) as may be determined necessary by Developer, without the consent of any party, to correct typographical or mathematical errors in the statement of such common interests, (b) filed by Developer, without the joinder of any party, upon the alteration of the Community as permitted pursuant to Section M.3 as set forth in subpart H, and/or (c) upon the action or consent of all Owners of Homes affected thereby, and the consent of the holders of any mortgage affecting such Homes as shown in the Association's records of ownership, or who have given the Board notice of their interest. The common interest and appurtenant easements shall not be separated from the Home to which they appertain and shall be deemed to be conveyed or encumbered with that Home even though such interest or easements are not expressly mentioned in the conveyance or other instrument. The common elements shall remain undivided and the right to partition or divide any part of the common elements shall not exist except as provided in the Act. Section M.3 allows the Developer prior to the sale of all Homes the filing of an "as built" certificate to (a) make alterations in the Community which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any Home (and the limited common elements appurtenant thereto) in the Community which is not sold and the conveyance thereof recorded which right includes the ability to change the overall "product mix" (e.g., change the model home type to be placed in a Private Yard Area); and (b) make other alterations in the Community which make minor changes in any Home in the Community or in the common elements which do not affect the physical location, design or size of any Home which has been sold and the conveyance thereof recorded.

E. **Encumbrances Against Title:** An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit E describes the encumbrances against the title contained in the title report dated November 27, 2001 and issued by Old Republic National Title Insurance Company.

Blanket Liens:

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

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

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

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed **Prior to Conveyance**
None	None

F. **Construction Warranties:**

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

1. Building and Other Improvements:

   The Developer's sole warranty will be provided in the form attached to this Public Report as Exhibit F.

2. Appliances:

   The Developer makes no warranty as to appliances or other consumer products installed in any Residence or in the common elements. If there are applicable manufacturer's or dealer's warranties relating to such appliances or other consumer products, the Developer will endeavor to assign and pass on to each Residence owner the benefit of such warranties.

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

Construction shall commence in August 2001 and should be completed by approximately February 2002.

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):

Alteration of the Community: The Developer has reserved the right in its sole and absolute discretion:

1. To make alterations in the Community (and to amend the Declaration and the Condominium Map accordingly) which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any Residence (and the limited common elements appurtenant thereto) in the Community which is not sold and the conveyance thereof Recorded, including specifically the right to alter the mix of model home types (increase or decrease the number of model home types); and

2. To make other alterations in the community (and to amend the Declaration and the Condominium Map accordingly) which make minor changes in any Residence in the community or in the common elements which do not affect the physical location, design or size of any Residence which has been sold and the conveyance thereof recorded.

IV. CONDOMINIUM MANAGEMENT

A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

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

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

[X] not affiliated with the Developer
[ ] self-managed by the Association of Apartment Owners
[ ] the Developer or the Developer's affiliate.
[ ] Other: _____

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

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

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

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

NOTE: The Estimated Maintenance Fee Disbursements for the Kai Nui Court Association have been compiled by Hawaiiana Management Company, Inc., a licensed property manager on the basis of the Budget Assumptions. Although the property manager makes every effort to estimate the actual cost of operation, certain budget items, especially insurance in today's insurance market, may change. The Buyer is aware that such amounts are only estimates and may change for reasons beyond the control of Seller, and the Buyer hereby specifically accepts and approves any such changes. The Buyer is also aware that such estimates do not include the Buyer's obligation for payment of real property taxes. The Buyer understands that such estimates are not intended to be and do not constitute any representation or warranty by the Seller, including but not limited to any representation or warranty as to the accuracy of such estimates. Buyer understands that Seller has not independently confirmed the accuracy or content of the estimates prepared by the licensed independent managing agent. Further, the Developer advises that costs and expenses of maintenance and operation of a condominium community are very difficult to estimate initially and even if such maintenance charges have been accurately estimated. such charges will tend to increase in an inflationary economy and as the improvements age. Maintenance charges can vary depending on services desired by apartment owners and may increase significantly depending on the level of services eventually selected by the Association's Board of Directors. The Buyer should examine the maintenance charges schedule to see what services are included in the schedule and address these issues with its Board upon its formation. Buyers should also be aware that the estimates provided are as of the date reflected in the Managing Agent's certification and do not reflect the actual charges that may be incurred upon the formation of the Association and the actual contracting for such services such as insurance and maintenance, etc.

NOTE: The Developer intends to pay all of the actual common expenses of the project until March 2002. Accordingly, Residence Owners shall not be obligated for the payment of their respective shares of the common expenses until April 2002. From and after April 1, 2002, Residence Owners will be obligated to pay their respective shares of the common expenses allocated to their Residence, beginning with the budgeted monthly maintenance fees for the month of April 2002.

C. **Utility Charges for Apartments:**

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

[ ] None
[ ] Gas
[X] Water*
[ ] Other _____
[X] Electricity (_X__ Common Elements only ___ Common Elements & Apartments)
(_X__ Common Elements only ___ Common Elements & Apartments)
[X] Sewer*
[ ] Television Cable

*Pursuant to the Declaration, water and sewer charges allocable to the Residences may be separately assessed and uses submetered for this purpose.

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

[X] Specimen Sales Contract
Exhibit H contains a summary of the pertinent provisions of the sales contract.

[X] Escrow Agreement dated April 24, 2001, as amended
Exhibit I contains a summary of the pertinent provisions of the escrow agreement.

[X] Other: Exhibit "J" is a Residence Selection form; Notice of Lottery Number Reservation System and Receipt of Owner-Occupant Affidavit Form.

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 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: Declaration of Covenants, Conditions and Restrictions for Kai Nui dated March 2, 2001, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2001-029158.

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 (DCCA). 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, Hawaii 96809, at a nominal cost.

This Public Report is a part of Registration No. 4619 filed with the Real Estate Commission on November 30, 2001.

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[ ] YELLOW paper stock [X] WHITE paper stock [ ] PINK paper stock

C. Additional Information Not Covered Above

1. All prospective purchasers should also be aware that the Project is within and a part of the master planned community known as the Kai Nui Community, and is subject to certain conditions and restrictions contained in various documents that affect the Project, including: (i) the covenants, conditions, restrictions, reservations, agreements, obligations and other provisions contained in the Declaration of Covenants, Conditions and Restrictions for Kai Nui dated March 2, 2001, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2001-029158.

2. All prospective purchasers should also be aware that the Project is not a subdivided lot. The Community has private yard areas.

3. All prospective purchasers should also be aware that the Community Common Areas shall also include: (1) Lot 28, as shown on File Plan No. 2287 (the "Access and Landscape Buffer Lot"), a portion of which designated as Easement 1 as shown on File Plan No. 2287, serves as a public access way between Ainahou Street and Keahole Street and a portion of which also serves as a landscape area between Keahole Street and the balance of the Kai Nui Community; (2) a nonexclusive easement over the landscape easement area affecting Lots 1 and 3 along Hawaii Kai Drive, designated as Easement LS-1 on the Condominium Map (the "Landscape Easement Area") (as and when granted), to the extent granted to the Association of Home Owners of Kai Nui Court by the Developer; (3) the improvements located within the Access and Landscape Buffer Lot and the Landscape Easement Area, which shall include landscaping, a Community sign monument and walls (collectively, the "Common Area Improvements"); and (4) the painted surface of the street facing portion of the walls or fencing along, abutting or within such Access and Landscape Buffer Lot and Landscape Easement Area, bordering the adjacent lots to the surface of the wall or fence only (the "Abutting Walls").

4. The right to dock vessels of any kind in the canal bordering the Community is in the control of the Hawaii Kai Marina Association ("HKCMA"), Kamehameha Schools ("KS"), and possibly others. Docking may or may not be permitted. If docking is permitted, it may not be permitted for all the Residences fronting the canal. The Buyer of canal front Residences will have to secure necessary authorization and permits from the City and County , HKCMA, KS, and others with jurisdiction over the canal and pay any and all applicable fees and assessments attributable to such activity. There is no guaranty that docking of vessels will be permitted or that, if permitted, individual Residences will be billed directly for fees and assessments. Such fees and assessments may be billed only to the Association. In that event, an additional administrative and accounting cost may be levied to the benefited homeowners by the Association attributable to the administration of such billing. Such additional expenses may be assessed to the benefited canal front Residence owners as special assessments under the Declaration of Condominium Property Regime of Kai Nui Court.

5. (a) Certain Private Yard Areas are affected by "Easement Areas" benefiting other Residence Owners within the Community. Specifically, the Private Yard Area of Residences 1, 2, 3, and 4 are affected by a drainage system. Those lots are also situate adjacent to the drain easement. The drainage system directs surface water from the Private Yard Areas to Kuapa Pond. The drainage system is the responsibility of the Association of Home Owners of Kai Nui Court.

   (b) Residences 7, 8 and 9 are directly adjacent to a raised planting area bordering the Access and Landscape Buffer Lot. The planting area and the retaining wall supporting it are part of the Community Common Area and the responsibility of the Association.

6. Material House Bond

The Developer discloses that it has provided a performance bond issued by Honosador Lumber Corporation (Honsador), which is a material house.

All funds received from purchasers of apartments shall be placed in an escrow account established with Security Title Corporation, the Developer's escrow agent. The agreement provides that:

(a) The purchaser's funds shall not be disbursed to pay for construction costs or other expenses until the apartment to be conveyed has been completed and the deed to the purchaser has been recorded.

(b) If closing is to occur prior to the expiration of the applicable mechanic's lien period, then the developer shall (1) provide the purchaser with an owner's title insurance policy with a mechanic's lien endorsement that protects the purchaser against all future mechanic's and materialmen's liens, and (2) provide the Real Estate Commission with a release by the general contractor of the contractor's lien rights.

The financial institution lending funds to develop the project has accepted the performance bond issued by Honsador.

Honsador is not disapproved by the Real Estate Commission.

D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Section 514A-1.6.

E. 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 developers knowledge, information and belief, true, correct and complete.

SCHULER HOMES, INC.
Printed Name of Developer

By: _____ December 31, 2001
Duly Authorized Signatory* Date

MICHAEL T. JONES, PRESIDENT, HAWAII DIVISION
Print Name and Title of Person Signing Above

Distribution:

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

*Must be signed for a: corporation by an officer; partnership or Limited Liability Partnership (LLP) by the general partner; Limited Liability Company (LLC) by the manager or member; and for an individual by the individual.

EXHIBIT "A"

DESCRIPTION OF BUILDING(S)

The Community shall contain eleven (11) single-family detached Residences (one of which shall contain three bedrooms, nine of which shall each contain four bedrooms and one of which shall contain five bedrooms). None of the Residences have a basement. The Residences shall be constructed principally of metal, wood, glass and related building materials.

There shall be six different model types in the Community, designated as Model Types S-2, S-3, S-4, S-9, Plan 3 and Plan 4. Each of the models include, without limitation, all components, roof, exterior walls and the foundation. A description of each model type is as follows:

Model Type S-2

Model Type S-2 is a two-story Residence containing four bedrooms, two and one-half bathrooms, living/dining area, kitchen/nook, laundry area, storage area, lanai, covered entry lanai, attached two-car garage and other improvements as shown on the Condominium Map. Each Model Type S-2 contains a net living area of approximately 1,635 square feet, entry lanai area of approximately 84 square feet, rear covered lanai of approximately 26 square feet, and two-car garage area of approximately 417 square feet. There is one Model Type S-2 Residence in the Community.

Model Type S-3

Model Type S-3 is a two-story Residence containing four bedrooms, three bathrooms, living/dining area, kitchen, family room, laundry area, storage area, covered entry lanai, attached two-car garage and other improvements as shown on the Condominium Map. Each Model Type S-3 contains a net living area of approximately 1,726 square feet, entry lanai area of approximately 66 square feet, and two-car garage area of approximately 457 square feet. There is one Model Type S-3 Residence in the Community.

Model Type S-4

Model Type S-4 is a two-story Residence containing four bedrooms, three bathrooms, living/dining room, kitchen/family area, study/media area, laundry area, storage area, covered entry lanai, attached two-car garage and other improvements as shown on the Condominium Map. Each Model Type S-4 contains a net living area of approximately 1,976 square feet, entry lanai area of approximately 42 square feet, and two-car garage area of approximately 401 square feet. There are three Model Type S-4 Residences in the Community.

Model Type S-9

Model Type S-9 is a two-story Residence containing five bedrooms, two and one-half bathrooms, living/dining area, family room, kitchen/breakfast nook, study area, laundry area, storage area, covered entry lanai, attached two-car garage and other improvements as shown on the Condominium Map. Each Model Type S-9 contains a net living area of approximately 2,533 square feet, entry lanai area of approximately 85 square feet, and two-car garage area of approximately 412 square feet. There is one Model Type S-9 Residence in the Community.

Model Type Plan 3

Model Type Plan 3 is a two-story Residence containing three bedrooms, two bathrooms, powder room, great room, kitchen, laundry area, storage area, entry lanai, attached two-car garage and other improvements as shown on the Condominium Map. Each Model Type 3 contains a net living area of approximately 1,411 square feet, entry lanai area of approximately 66 square feet, and two-car garage area of approximately 378 square feet. There is one Model Type Plan 3 Residence in the Community.

Model Type Plan 4

Model Type Plan 4 is a two-story Residence containing four bedrooms, two bathrooms, powder room, great room, dining area, kitchen, laundry area, lanai, entry, attached two-car garage and other improvements as shown on the Condominium Map. Each Model Type Plan 4 contains a net living area of approximately 1,575 square feet, entry lanai area of approximately 16 square feet, and two-car garage area of approximately 381 square feet. There are four Model Type Plan 4 Residences in the Community.

A separate street address will be assigned to each Residence.

END OF EXHIBIT "A"

EXHIBIT "B"

COMMON ELEMENTS

The common elements of the Community shall specifically include, but are not limited to, the following:

1. The Land, including the Access and Landscape Buffer Lot and Landscape Easement Area, subject to the limitations described in Section D.4(b) of the Declaration and Section 3.3 of the Master Declaration, in fee simple, described in Exhibit "A" and Exhibit "A-1" attached to the Declaration of Condominium Property Regime and those improvements to the Land, excluding the Residences and Private Yard Areas, but including without limitation the Common Access Road, the gated Community entrance, exterior lighting fixtures located along and/or adjacent to the Community Access Road, the common area landscaping and similar improvements.

2. All drainage facilities or swales, pipes, shafts, wires, conduits or other utilities or service lines running through a Residence, or Private Yard Area which are utilized for or serve more than one Residence, or Private Yard Area or other feature of the Community.

3. All sidewalks, pathways, curbs, and parking areas as labeled on the Condominium Map.

4. All ducts, electrical equipment, transformers, wiring, pipes and other central and appurtenant transmission facilities and installations over, under and across the Community or individual Private Yard Areas which are utilized by or serve more than one Residence or for services such as power, light, water, gas, sewer, drainage, telephone and radio and television signal distribution, if any.

5. All areas, rooms, spaces, structures, housings, chutes, shafts or facilities of the Community within or outside of the buildings, which are for common use or which serve more than one Residence, such as electrical, maintenance, service, security, machine, mechanical and equipment rooms and the equipment, machinery and facilities therein.

6. All the benefits, if any, inuring to the land or to the Community from all easements, if any, shown on the Condominium Map or listed in Exhibit "A" attached to the Declaration of Condominium Property Regime.

7. Any and all apparatus and installations of common use and all other parts of the Community necessary or convenient to its existence, maintenance and safety, or normally in common use, including the entry gate and associated facilities.

8. The Community Common Facilities, including without limitation the Access and Landscape Buffer Lot and Landscape Easement Area, subject to the limitations described in Section D.4(b) of the Declaration and Section 3.3 of the Master Declaration.

9. All other parts of the Community not included in the definition of a Residence or Private Yard Area.

END OF EXHIBIT "B"

EXHIBIT "C"

LIMITED COMMON ELEMENTS

Each Residence shall have appurtenant to the Residence easements for the exclusive use of certain limited common elements as follows:

1. Private Yard Area:

The land area appurtenant to each Residence, as described in the Declaration and as shown on the Condominium Map, and bearing the same Private Yard Area number as the unit number assigned to the Residence, is a limited common element. Private Yard Areas are not legally subdivided lots. Private Yard Area includes the land beneath the Residence bearing the same number as the Private Yard Area, the fenced yard area to the rear and sides of the Residence as demarked by the fence location shown on the Condominium Map. A metes and bounds description of the Private Yard Areas will be recorded in connection with the Architect's "As Built" Certificate. The parking area (if any) directly fronting the garage of the Residence to the boundary of such area with the Community Access Road is also a limited common element appurtenant to the Residence served.

2. Additional Parking Area:

Certain Residences are provided a driveway or driveway/parking area directly fronting the garage of the Residence as shown on the Condominium Map. Parking in driveways servicing the garage area of a Residence is permitted only in the designated parking areas reflected on the Condominium Map. Private Parking Stall Nos. 1, 2 and 3 shall be assigned to specific Residences by amendment to the Declaration. Private Parking Stall Nos. 1, 2 and 3 are available for purchase on a first come, first serve basis by Residence home buyers. Upon purchase such private parking stall shall be designated as a limited common element to such Residence.

3. Mailboxes & Designated Trash Container Location:

Each Residences is provided a designated mailbox and designated trash container location for placement of trash container on trash pick-up days. The mailbox and trash container space is located adjacent to the driveway or driveway/parking area directly fronting the garage of the Residence to the boundary of the appurtenant Private Yard Area. The trash container space may be used only as permitted under the Declaration.

4. Party Walls/Fences:

The fences and walls or portion thereof that have been constructed on the common boundary between Private Yard Areas as shown on the Condominium Map, including those fences and walls defined as "Party Walls" in the Declaration, are limited common elements, benefiting the Owners of the Private Yard Areas served by such fence or wall. Walls and fences constructed on the boundary of a Private Yard Area and the common area are limited common elements benefiting the Residence to which the Private Yard Area is appurtenant.

5. Boardwalk:

The portion of the boardwalk running along the canal within the Private Yard Areas of each Residence adjacent to the canal as shown on the Condominium Map is a limited common element benefiting the individual Residence bearing the same unit number as the Private Yard Area in which the portion of the boardwalk is located.

END OF EXHIBIT "C"

EXHIBIT "D"

COMMON INTERESTS FOR ENTIRE COMMUNITY

Unit Plan	Residence/(Unit) Number	Undivided Common Interest of Each Unit
S-2	Residence 10	0.087032 (8.7032%)
S-3	Residence 1	0.089376 (8.9376%)
S-4	Residence 4, Residence 5, Residence 11	0.100650 (10.0650%)
S-9	Residence 3	0.130573 (13.0573%)
3	Residence 8	0.073665 (7.3665%)
4	Residence 2, Residence 6, Residence 7, Residence 9	0.079351 (7.9351%)

END OF EXHIBIT "D"

EXHIBIT "E"

ENCUMBRANCES AGAINST TITLE

1. For real property taxes that may be due and owing, reference is made to the Director of Finance, City and County of Honolulu.

2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

3. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions as contained in Unilateral Agreement and Declaration for Conditional Zoning dated August 13, 1999, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 99-146387. To which reference is hereby made, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).

4. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions as contained in Declaration of Restrictive Covenants dated July 24, 2000, recorded as Document No. 2000-102920. To which reference is hereby made, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).

5. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions as contained in Limited Warranty Deed dated June 28, 2000, recorded as Document No. 2000-092258. To which reference is hereby made, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c)

6. No vehicular access permitted onto Keahole Street as shown on File Plan No. 2287.

7. Easement 1, for public pedestrian access purposes, as shown on File Plan No. 2287.

8. The terms and provisions, including the failure to comply with any covenants, conditions, restrictions, reservations or obligations of that certain Indemnity Agreement dated February 12, 2001, made by and between Schuler Homes, Inc., a Delaware corporation "Indemnifier", and Hawaiian Electric Company, Inc., a Hawaii corporation, recorded as Document No. 2001-022788.

9. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions as contained in Declaration of Covenants, Conditions and Restrictions for Kai Nui dated March 2, 2001, recorded as Document No. 2001-029158. To which reference is hereby made, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).

10. Covenants, conditions, restrictions, agreements, obligations and other provisions as contained in Declaration of Condominium Property Regime at "Kai Nui Court" dated April 24, 2001, recorded as Document No. 2001-060114, as amended by instrument dated June 6, 2001, recorded as Document No. 2001-086259.

11. Condominium Map No. 3249, as amended by instrument dated May 23, 2001, recorded as Document No. 2001-76390, as further amended by instrument dated August 21, 2001, recorded as Document No. 2001-130470.

12. Bylaws of the Association of Apartment Owners of "Kai Nui Court" dated April 24, 2001, recorded as Document No. 2001-060115.

13. Grant of Landscape and Waterline Easement dated April 25, 2001, recorded as Document No. 2001-064520.

END OF EXHIBIT "E"

EXHIBIT "F"

BUILDINGS AND COMMON ELEMENTS WARANTY

[Form Attached]

CONDOMINIUM

LIMITED WARRANTY

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INTRODUCTION

Schuler Homes is proud of the new home we have built for you. It has been professionally built with quality materials and the pride of skilled craftsmen.

A home is a unique product, one that requires your proper care and maintenance. You will be given a Homeowner's Manual to answer questions and provide you with helpful hints regarding the basic maintenance of your new home. Under this Schuler Homes, Inc., limited warranty agreement (the "Warranty"), you are expected to provide proper maintenance for your home to prevent damage and ensure proper functioning of your home and its various systems. Also, because your new home is in a condominium townhome community, your homeowners' association has these same responsibilities for the common elements in the community.

If major problems do occur in your home, the Warranty has been designed to provide satisfaction to you and any subsequent purchaser of your home.

Please read the enclosed Warranty carefully. It is intended to acquaint you with the extent of coverage and responsibilities that Schuler Homes will assume. Coverage periods will vary on certain items. Further, if a problem does occur with your new home, your homeowners' association may have to be involved with the resolution of the problem.

After you have read the Warranty, you will be asked to sign it to indicate that you have received a copy and that you understand its terms. This Warranty is the only warranty provided to you by Schuler Homes, Inc.

Thank you for purchasing your new home from Schuler Homes.

Michael T. Jones
President
Schuler Homes, Inc. – Hawaii Division

A. DEFINED TERMS

Throughout this Warranty various terms are used that have specific defined meanings, and are either italicized or appear with initial capitalization. For example, the term *Homeowner* refers to you and to any subsequent owner of the Home during the Warranty coverage period(s). *Schuler Homes* refers to Schuler Homes, Inc. The term *Parties* refers to *Schuler Homes* and the Homeowner. *Deposit Receipt, Reservation and Sales Agreement* refers to the sales contract pursuant to which you agreed to buy your new Home. The term *Home* refers to your new home constructed by *Schuler Homes* and is described in your Deposit Receipt, Reservation and Sales Agreement. The term *Commencement Date* refers to the date the deed for your new *Home* was recorded at the Bureau of Conveyances. The terms *Association* and *Community* refer to the Association of Apartment Owners to be formed to administer the condominium Community, of which you will be a member, and the condominium Community of which your new *Home* is a part, respectively.

B. WARRANTY COVERAGE

Schuler Homes is providing a limited warranty for your new *Home* described in and covering those items identified in this Warranty.

In accordance with this Warranty, *Schuler Homes* will make every effort to handle legitimate repair requests as expeditiously as possible. *Schuler Homes* will not provide customary maintenance or service, nor will *Schuler Homes* repair items that you have installed or damaged. Further, this Warranty covers only those items for which you have provided written notice within the warranty coverage period. Should you discover certain defects in the construction of your new *Home* some time after you have occupied it, you should follow the procedures set out in this Warranty. Please recognize that if you delay or attempt to correct the problem without having it inspected and documented as provided in this Warranty, warranty coverage may not be available. Also, please recognize that as a member of the *Association*, the *Association* will have many of these same responsibilities as it relates to the common elements within the *Community* and that the warranties provided are not cumulative in nature and do not afford duplicate coverage with respect to any warranty running in favor of your *Association*. As a result, if a problem does occur with your new *Home*, your *Association* may have to be involved with the resolution of the problem. Also, in certain instances, only the *Association* will be able to seek and obtain warranty repairs under the terms of this Warranty.

Portions of the *Home* that you are purchasing are considered to be part of the condominium *Community*'s common area (the "Common Elements"), and any problem involving the Common Elements must involve the *Association*. By way of example, the building in which your *Home* is located is part of the Common Elements of the *Community*, while the interior of your *Home* is not. As a result, any problem covered by your limited warranty that involves the building will be one that should be resolved by the *Association*. A problem that involves solely the interior of your *Home*, on the other hand, will not require *Association* participation. A good description of the Common Elements is contained in your

Community documents (specifically the Declaration of Condominium Property Regime and the Final Public Report for the *Community*). Without limiting the *Community* documents, your *Association* owns all common areas of the *Community*, which include not only any recreational areas of *Community* lands, but also the structure in which your *Home* and other *Homeowners' Homes* in the *Community* are located, including but not limited to the exterior walls and interior supporting walls, windows, roofs, outside stairs, decks and all improvements located within the common areas.

Recognizing the foregoing, it is recommended that you coordinate with your *Association* in the event there is a problem with an item covered under this Warranty. If you have questions whether the *Association* or you should file a claim in the event of such a problem, *Schuler Homes'* Customer Service Department will be pleased to assist you. In most situations, however, you may assume that a claim for a problem that affects only you should be made by you, while a claim for a problem that may affect more than one *Homeowner* should be made by your *Association*.

With these facts in mind, *Schuler Homes* agrees to provide to the *Homeowner* and to any subsequent owner of the *Home*, certain express warranties that various items and components of the *Home* will be free from defect for the periods of time set forth below. These warranties are expressly limited by Article D ("Exclusions") and may not be modified, revised, extended or supplemented except in writing signed by the *Homeowner* and an authorized representative of *Schuler Homes*. The warranties provided by this Warranty include those warranties described in any Limited Warranty for Major Construction Defects, Faulty Workmanship and Materials and/or Warranty of Completion of Construction (HUD Form 92544 (8/92) or its substitute which will be provided if you are obtaining a HUD insured loan) that may be provided to you at closing, all of which warranties are subsumed in this Warranty, are not cumulative in nature, and do not provide duplicative coverages. For the periods indicated from and after the *Commencement Date*, *Schuler Homes* provides the following warranties:

1. Structural Integrity Covered for Ten Years

Schuler Homes is warranting (to the Association) that the *Home* will be free from any defect resulting in or causing tangible damage to the roof, walls or foundation of the *Home* which materially diminishes the structural integrity and the load-bearing performance of the *Home* for a period of ten (10) years beginning on the *Commencement Date*. This Warranty also covers damage to the roof, walls or foundation of the *Home* resulting from expansion, subsidence or lateral movement of the soil provided that such damage materially diminishes the structural integrity and load-bearing performance of the *Home*. This warranty coverage has been provided to the Association and will require the Association to process any claim under this section. Other types of damage or defects to the *Home* not specifically mentioned in Section 1 of this Article, shall be covered by the warranties provided in Sections 2 and 3 of this Article.

2. Major Components Covered for Two Years

Schuler Homes warrants that the "Major Components" of the *Home* will be free from defects in material and workmanship for a period of two (2) year beginning on the *Commencement Date*. For the purposes of this Warranty, the term Major Components refers to the following items to the extent that they are within your control as a Homeowner. If such items or portions thereof are within the Common Elements they are covered, if at all, under the Association limited warranty and in such instance any claim for coverage must be processed by the Association:

Plumbing Systems and Components	Cabinets	Electrical Systems and Components
Doors	Windows	

3. Minor Components

Schuler Homes warrants that the "Minor Components" of the *Home* will be free from defects in materials and workmanship for a period of one (1) year beginning on the *Commencement Date*, as provided in this Section. For the purpose of this Warranty, the term Minor Components refers to the following items:

Plumbing Fixtures	Range	Dishwasher (If Included)
Security System (if included)	Garbage Disposal	Refrigerator (If Included)
Concrete Features	Garage Door Opener	Ice Maker (If Included)
Driveways/Sidewalks	Shelves	Outdoor Fencing (If Included)
Doorbell	Smoke Detector	Microwave Oven (If Included)
Carpets	Light Fixtures	Washer/Dryer (If Included)
Water Heater	Countertops	Fans (If Included)
Mirrors (installation only)	Air Conditioner (if included)	

Optional hard surface floor coverings (wood flooring, marble, ceramic tile and the like), installed over a "slip sheet" or other approved material are also included within covered Minor Components.

Homeowner recognizes that the *Home* may not contain all of the listed Minor Components. Please check with your Customer Service Representative for further details.

A number of the *Home*'s Minor Components are specifically covered by warranties from the manufacturers of those items, all of which manufacturers' warranties are at least one year in duration. A list of such Minor Components, the names of their manufacturers and the addresses for contacting the manufacturer's representatives is attached to this Warranty as Exhibit 1 will be provided on or before the *Commencement Date*. ***Homeowner* recognizes that Minor Components scheduled on Exhibit 1 are covered only by the manufacturer's warranty and are not warranted by *Schuler Homes*. The scheduled components are warranted only by the particular manufacturer.**

If the *Homeowner* finds defects in any of the Minor Components covered by a manufacturer's warranty scheduled in Exhibit 1, it is the *Homeowner*'s obligation to follow the procedures in the applicable manufacturer's warranty and deal directly with that manufacturer. *Schuler Homes* will use reasonable efforts to assist *Homeowner* in dealing with such manufacturers, if necessary.

4. Coverage For Cosmetic Deficiencies

The following deficiencies are considered to be "Cosmetic Deficiencies":

Scuffed, scratched or smudged painted surfaces or countertops;
Chipped or stained porcelain, tile, grout or fiberglass;
Chipped or otherwise defective surfaces of appliances or plumbing fixtures;
Torn or defective window or door screens;
Smudged, scratched or stained cabinet surfaces or finishes;
Broken glass, windows or mirrors;
Nail "pops" and shrinkage cracks in drywall; or
Cracks in wood surface due to normal shrinkage

Cosmetic Deficiencies are not considered damages or defects covered by Sections 1, 2 or 3 of this article. Schuler Homes and its General Contractor shall only be responsible for repairing or replacing Cosmetic Deficiencies if such problems were caused by defects in the materials or workmanship. Cosmetic Deficiencies resulting from *Homeowner* damage are not covered by this Warranty. Unless the *Homeowner* notifies *Schuler Homes* of a particular Cosmetic Deficiency within three (3) days of recordation of the deed for the Home such Cosmetic Deficiency will be considered to be an item of *Homeowner* damage, and will not be covered by *Schuler Homes*.

Schuler Homes will be obligated to correct a Cosmetic Deficiency only if such deficiency: (a) is readily visible, (b) does not result in any way from damage caused by *Homeowner* or any agent of *Homeowner*, and (c) is noted at the time of the *Homeowner*'s walk-through orientation as a punchlist item.

5. Coverage Against Termite Infestation

Subject to the provisions of the Declaration of Condominium Property Regime, Schuler Homes has provided a limited warranty to the Association against infestation of individual Building's Common Elements by subterranean (ground) termites for a period of three (3) years from and after the date of the first annual meeting of the Apartment Owners of the Association (the "*Association* Coverage Period"). Schuler Homes is also providing a limited warranty to you against infestation of your *Home* (the "*apartment*" as defined in the Declaration) for the greater of three (3) years or that period specified in Exhibit 2, if attached, from and after the Commencement Date (the "Home Coverage Period"), subject to the provisions of this Section and the limitations and exclusions set forth in Exhibit 2. Exhibit 2, if attached, does not provide separate or alternate coverage, but rather is subsumed in and is controlled and explained by this Warranty. This warranty coverage afforded by this Section

does not expand the coverage afforded under Exhibit 2 and provides no duplicative or cumulative coverage. This Warranty does not provide coverage against infestation by or the risk of drywood termites, ground or wood infesting insects, molds or fungus. Also, this Warranty does not provide coverage against infestation of the Common Elements of the *Community* or expand or duplicate the coverage afforded to the *Association*. A separate warranty has been provided to the *Association* and is included in the Declaration.

In the event of infestation of your *Home* (not the Common Elements) by subterranean (ground) termites during the *Coverage Period*, *Schuler Homes* will retreat the area(s) only where termites are found, in accordance with applicable federal (soil) treatment standards. Ground treatments, if required, will be made in accordance with the limited warranty provided to the *Association*. As provided in the *Association's* limited warranty for portions of the Common Elements, should such termite infestation occur during the "Repair Period" defined in the Association's limited warranty (the first year of the Association Coverage Period), *Schuler Homes* will, in addition to such re-treatment, repair all "construction damage" caused by such termite infestation. Any damage attributable to termite infestation occurring subsequent to the Repair Period or not reported to *Schuler Homes* by the *Homeowner* within thirty (30) calendar days following the Repair Period, regardless of the date of occurrence, is not covered by the *Association's* limited warranty and its repair shall be the responsibility of the Homeowner. *Schuler Homes* shall not be responsible for construction damage occurring after the Repair Period.

For purposes of the coverage afforded by this Warranty and Exhibit 2, and the limited warranty provided to the *Association*, "construction damage" means and includes damages attributable to termite infestation resulting in or causing tangible damage to the roof, walls or foundation of the *Home* which materially diminishes the structural integrity and the load-bearing performance of the *Home*. The description "construction damage" shall not include damage to and no coverage is afforded by this limited warranty or the *Association's* limited warranty against termite infestation of any non-structural member or component of the *Home*, including, but not limited to, doors, casings, jams, trim, finishes, cabinets, siding, outdoor fencing, decks, wood patios, railings and the like, or any addition by the *Homeowner*.

Although the ground beneath each Building and the wooden structural and framing members have been treated against termite infestation utilizing current methodologies, termites (both ground and air-borne) are endemic in the State of Hawaii and are not susceptible to complete and permanent eradication utilizing current EPA approved pesticides. A regular maintenance and inspection program must be established by the *Association* to reduce the risk of termite infestation and damage. Without a regular maintenance and inspection program which includes the periodic inspection of the interior of Homes and the exterior of the Buildings in which the Homes are located, the existence of a termite infestation that requires treatment, may not be discovered. Each Homeowner is encouraged to pay particular attention to the risk created by termites. Each Homeowner should regularly inspect his lanai area, baseboards in his Home, cabinets under sinks, and doorways in the Home for evidence of termites, including termite "mud" tunnels. Also, unless an acceptable Prevention Program, defined below, is established by the *Association*, there is NO warranty coverage

under this limited warranty or the Association's limited warranty afforded against termite infestation or damage resulting therefrom.

An acceptable Prevention Program shall require that the *Association* (a)_engage within six (6) months following the *Commencement* Date a licensed professional termite and pest control-extermination organization (Pest Control Contractor") to conduct inspections of the interior of the Homes, as well as the exterior perimeters of the Buildings for termite infestation on a semi-annual basis (or more regular basis, if suggested by the Pest Control Contractor) commencing at the conclusion of the Repair Period and continuing thereafter throughout the balance of the Association Coverage Period, and (b) adhere to all recommendations of the Pest Control Contractor of preventative actions to be taken to reduce the risk of infestation by subterranean (ground) termites, which may include;(i) avoid contact between soil and any wooden portion of your *Home* or the building in which it is located, including the siding (ii) avoid over watering around the perimeter of the building, (iii) check for and avoid leaky faucets and the pooling of water around your *Home*, (iv) do not leave wood or paper products on the ground adjacent to your Home, and (v) do not disturb the soil within the two (2) foot perimeter around the Building by planting it, irrigating it, or constructing improvements in it.

Schuler Homes will NOT have responsibility under this Warranty, the *Association's* limited warranty, and the coverage afforded by Exhibit 2 (if any) for termite infestation if: (a) the *Association* fails to establish and maintain an acceptable Prevention Program, (b) the infestation does result in any way from damage caused by the *Association*, the Homeowner or any of their agents and (c) the infestation is the result of improvements, modifications, alterations or additions (including the introduction of termite infested furniture) made by the Association or the Homeowner to the Home, the building in which it is contained, or the landscaping on or the drainage pattern of the property on which the Home or Community is located. Further, the coverage afforded under this Section of the Warranty will be void and no longer available to the *Homeowner* if the Homeowner or the *Association* (or any or its members) takes any of those actions specified in the certificate or warranty instructions provided by the ground treatment service organization including, without limitation: (i) growing any plants or placing any type of sprinkler or irrigation system within two (2) feet of the building in which the *Home* is located, (ii) digging within two (2) feet of the building in which the home is located, (iii) constructing any hardscape improvement (pavers, stepping stones, concrete and the like) that touch the building in which the Home is located, without treating the ground beneath the improvement for termites, (iv) allowing soil to touch any wooden part of the Home or the building, or (v) leaving wood, cardboard or other similar product on the ground near your Home.

In addition to the foregoing, *Schuler Homes* has to the extent permitted by law, assigned to the Association, without adopting or guarantying the same, any warranties provided by the framing lumber supplier and ground treatment service organization identified in Exhibit 1. A copy of these warranty(s) will be provided to the *Homeowner* at closing or thereafter and should be reviewed carefully to determine the scope of the coverage and exclusions provided.

6. **Pest Control**

Schuler Homes provides no coverage or warranty relating to pest control (insects, rodents and the like) for your new *Home*. Pest control within and about the *Home* is the *Homeowner's* sole responsibility and is not covered by this Warranty. *Schuler Homes* recommends that each *Homeowner* and the *Association* contact a local pest control organization to establish a pest control program.

C. MAKING A CLAIM

1. **Claim Form** - If the *Homeowner* has identified a defect believed to be covered by this Warranty, a claim must be given to *Schuler Homes* or the contractor, in writing, during the appropriate warranty period. Claims should not be made by telephone alone. Claims must be made no more than thirty (30) days after the *Homeowner* discovers a particular defect. Claims should be made by completing the Warranty Claim Form (Warranty Service Request Form) provided in your Homeowner's manual. All Warranty Service Request Forms and any questions you may have concerning this Warranty should be directed to *Schuler Homes'* Customer Service Department at the following address:

Schuler Homes, Inc.
Customer Service Department
P.O. Box 700789
Kapolei, Hawaii 96709-0789
Telephone: (808) 674-9770 Facsimile: (808) 674-0895
Website:http://www.schulerhomes.com

2. **Emergency Claims** - In the event of emergency repairs only, claims may be made by telephone to a representative of the *Schuler Homes'* Customer Service Department, but must be followed up promptly with a completed Warranty Claim Form. The phone number for *Schuler Homes'* Customer Service Department is noted above and is also provided at the top of the Warranty Claim Form. Emergency phone numbers will be included in your Homeowner's manual. Other emergency procedures will be explained in your Homeowner's manual. You will be eligible for use of the after hours emergency service for two (2) years from commencement date of your Schuler Homes Limited Warranty.

3. **Response to Covered Claims** - Upon receipt of a claim, *Schuler Homes'* Customer Service Representative or contractor's representative will determine whether or not the claim is covered by the Warranty. *Homeowner* recognizes that if the claim is covered, *Schuler Homes* has the choice of repairing the defect, replacing the defective item or paying the *Homeowner* the reasonable cost of repairing or replacing the defective item. The decision to replace or repair an item or to reimburse *Homeowner* will be made solely by *Schuler Homes*.

(a) **Repair Materials/Subcontractors** - All repairs will be made with materials or components identical to, or of an equal or better grade or quality than the materials or components used in the original construction of the *Home*. *Schuler Homes* has the right to choose the contractors used for repair or replacement work in its sole discretion.

(b) **No Obligation for Reimbursement** - *Schuler Homes* has no obligation to reimburse the *Homeowner* for work done by *Homeowner* or for amounts paid by *Homeowner* to a repairman or subcontractor which have not been pre-approved, in writing, by *Schuler Homes'* Customer Service Representative. However, in the event of an emergency caused by a defect covered by this Warranty in which the *Homeowner* can reasonably demonstrate that *Schuler Homes* could not be contacted by the *Homeowner* despite *Homeowner*'s diligent efforts, *Schuler Homes* will reimburse the *Homeowner* for the reasonable and actual costs of repairing or replacing the applicable defect.

(c) **Time for Corrective Work** - *Schuler Homes* intends to fulfill its obligations for a particular warranty claim for defects covered by this Warranty within thirty (30) days of its receipt of a completed Warranty Claim Form so long as *Schuler Homes* is given reasonable cooperation by *Homeowner*. However, *Homeowner* recognizes that the thirty (30) day period for certain covered repairs or replacements may be required to be extended for circumstances beyond the reasonable control of *Schuler Homes*, such as the unavailability of parts, strikes, labor or material shortages, adverse weather conditions, lack of cooperation by the *Homeowner* or the magnitude of the repair required.

(d) **Provide Access** – Homeowner must provide access when submitting a claim. We will make two attempts to schedule an appointment with you. If unsuccessful Schuler Homes will close out your claim and request that you resubmit the claim within your warranty period or within a time frame to be specified in a written notice from Schuler Homes.

(e) **Limit on Repair Obligations** - *Homeowner* also understands that *Schuler Homes* shall not be obligated to incur aggregate costs for the repair or replacement of defects in the *Home* in excess of the Purchase Price defined in your *Deposit Receipt, Reservation and Sales Agreement* and set out in Article F.

4. **Claims Not Covered By Warranty** - If *Schuler Homes* takes the position that a particular claim is not covered by this Warranty, *Schuler Homes* will provide *Homeowner* with a written notification describing why the *Homeowner*'s claim is not covered. If *Homeowner* is not satisfied by *Schuler Homes'* decision, *Homeowner* may take the steps described in Article E.

5. **Association** - To the extent that the warranty coverages afforded by this Warranty relate to *Common Elements* of the *Community*, the *Association* shall be a necessary party to the resolution of any warranty claims that are to be resolved pursuant to Article E. All warranty service requests relating to the Common Elements and all termite warranty service requests should be delivered to the Managing Agent for the Community. The Managing Agent's address, phone number, and contact person are set forth in your Homeowners Manual. Should a dispute develop between you (or other *Homeowners*) and your *Association* regarding entitlement to file a warranty claim or entitlement to benefits under this Warranty that dispute shall be resolved pursuant to the "Negotiation" and "Arbitration" provisions in this Warranty.

D. EXCLUSIONS

Notwithstanding other provisions of this Warranty, certain defects or damages are explicitly excluded from the coverage of this Warranty.

Homeowner recognizes that this Warranty does **NOT** cover any additions, improvements alteration or modifications made to the *Home* or common elements of the *Community* by the *Homeowner* or the *Association* and specifically excludes and does not cover the following:

1. Damage to the *Home* due to ordinary wear and tear or lack of *Homeowner* or *Association* maintenance. From time to time, *Schuler Homes* may perform a maintenance task for the benefit of *Homeowner* at no charge; however, performing a task on one occasion does not imply or require that *Schuler Homes* will perform a similar task at a later date, nor shall such performance be deemed to extend the Warranty time periods described herein.

2. Damage to the *Home* caused by casualties normally covered by standard *Homeowner*'s or *Association* insurance or damage resulting from major natural catastrophes or acts of God, such as fire, smoke, explosion, water escape, flood, wind, hail, lightning, earthquake, insects or falling trees.

3. Damage caused either by the abuse of the *Home* or the use of the *Home* in a manner for which it is not intended.

4. Damage resulting from or made worse by the *Homeowner*'s failure to take appropriate action to prevent further damage, including notifying *Schuler Homes* of any defect within a reasonable time under the circumstances.

5. Damage to the *Home* caused by *Homeowner* (including accidental damage and damage during move-in) or damage by animals or pets or by any invitee, lessee, tenant or renter of the *Home*.

6. Damage resulting from any changes after the close of escrow to the grading or drainage of the property on which the *Home* is located.

7. Defects in or defects or damage caused by materials furnished or work done by or at the request of *Homeowner* by anyone other than *Schuler Homes* or its employees, agents or subcontractors expressly selected by *Schuler Homes.*

8. Non-structural cracking or spider cracking of the Home's foundation slab and hairline cracks in stucco, masonry and optional hard surface floor coverings (wood floors, marble and ceramic tile) where permitted. Although certain *Home* foundation slabs will contain contraction joints to reduce this likelihood, standard construction techniques and the applicable design for the *Home*'s foundation slab may result in a degree of non-structural cracking or "spider" cracking in the slab. Such cracking is inherent in concrete construction, and may also cause cracking in hard surface floor coverings. However, if any surface becomes unusable during the one (1) warranty period for Minor Components due to abnormal settling or expansion, *Schuler Homes* agrees to repair or replace said surface as reasonably necessary.

9. Wood cracks or minor openings of wooden joints, such as in panel doors, mitered casings and solid paneling. Such cracks and openings are generally caused by normal shrinkage during the drying out process of the wood in a *Home* and may be mitigated with proper maintenance, including caulking. The Warranty does not cover separations between rafter ties and fascia boards or cracking, checking, twisting or turning of wood beams, unless such condition(s) prevent(s) the beam from meeting industry structural standards. In addition the Warranty does not cover sap which may appear on exterior wooden surfaces.

10. Damage caused by the fading, chalking or checking of outside paint or other exterior finishes caused by the sun or weather. In the event that *Schuler Homes* elects at its own discretion to perform any paint repairs or patching, *Homeowner* recognizes that *Schuler Homes* cannot guarantee that the new paint will perfectly match the old paint.

11. Defects in items and/or their appearance constructed within acceptable building standards and construction tolerances as spelled out in your Homeowner's manual.

12. Driveway Apron and Sidewalks are City and County responsibility and will be addressed in accordance with City and County standards.

13. Maintenance of caulk and grout areas whether in the interior or exterior is the responsibility of the homeowner.

Additionally, *Schuler Homes* will not be responsible for any damage or emotional distress you may have incurred with respect to a claimed defect, any lost opportunity or profit to which you may be entitled due to the claimed defect, or additional living expenses that you may incur while a covered item is being repaired. Further, *Schuler Homes* will not be

responsible for any lost time (from your employment or otherwise) that you experience to secure the repair of a covered item, or damage or loss of items in the *Home* that may be attributed to the covered defect. The exclusions set forth in this Article shall also apply to any delays in initial closing of a *Home* that are attributable to the repair of any punchlist items.

E. WARRANTY COVERAGE DISPUTES

1. Intent of Parties

Homeowner recognizes that the procedures described in this Warranty are the only methods by which *Homeowner* or the *Association* may demand that *Schuler Homes* correct alleged defects in the *Home*. *Schuler Homes*, the *Homeowner* and the *Association* agree that all disputes in any way related to the coverage of this Warranty (the "Dispute") shall be resolved according to the "Negotiation" and "Arbitration of Disputes" provisions of Sections 2 and 4 of this Article; provided, however, that any Dispute related to the validity of a claim concerning the limited warranty against certain termite infestation shall first be submitted to a recognized entomologist in accordance with Section 3 of this Article, without recourse Arbitration permitted under Section 4 of this Article.

The *Homeowner* must make a written claim pursuant to Article C and give *Schuler Homes* an adequate opportunity to inspect any alleged defect and to fix such defect.

In the event that *Homeowner* is not satisfied with *Schuler Homes'* handling of a Warranty claim or its rejection, *Homeowner* understands and agrees that this Warranty requires *Homeowner* to go through the process described in this Article to resolve that Dispute. *Homeowner* and *Schuler Homes* agree they will be bound by the results of any Arbitration which takes place (pursuant to Section 4 of this Article).

2. Negotiation

(a) The *Parties* each agree to participate in a period of good faith negotiations (the "Negotiation"), as described in this Section 2 as the first step to resolving any Dispute.

(b) *Homeowner* recognizes that the Negotiation process described in this Section 2 must be completed before *Homeowner* can begin the Arbitration process described in Section 4 of this Article.

(c) If *Homeowner* disputes or is unsatisfied with *Schuler Homes'* handling or rejection of a particular Warranty claim, *Homeowner* must first give written notice to *Schuler Homes* of such Dispute. The notice must contain the following information:

i. A description of the nature of the Dispute and a description of what the *Homeowner* believes *Schuler Homes* is obligated to do under the Warranty to resolve the Dispute;

ii. A description of the facts which the *Homeowner* bases its belief that *Schuler Homes* is obligated to provide Warranty service;

iii. A proposed date and time for a Conference, which date must fall on a business day between twenty-five (25) and sixty (60) days after the date *Homeowner* sends the notice to *Schuler Homes* (the "Conference"). The Conference shall be held at the *Home*, unless otherwise agreed.

iv. The notice shall be addressed to *Schuler Homes* at the address set forth in this Warranty. The notice and all other notices described in this Warranty must be sent either by (a) personal delivery, (b) nationally-recognized overnight courier, prepaid with instructions for next business day delivery or (c) prepaid certified or registered mail, return receipt requested.

(d) Within ten (10) days of *Homeowner*'s sending the Conference notice, *Schuler Homes* shall provide a follow-up notice to *Homeowner* confirming the time of the Conference and stating the name and title of *Schuler Homes'* representative to the Conference.

(e) Prior to the Conference, *Schuler Homes* and *Homeowner* agree that they will, in good faith, discuss and consider possible resolutions of the Dispute. At the Conference, the *Parties'* representatives shall confer together to resolve the Dispute for a maximum period of two (2) hours although the *Parties* may extend or adjourn the meeting by mutual agreement.

(f) If the entire Dispute has not been resolved after the Conference (excluding Disputes regarding termite infestation claims which must be resolved in accordance with Section 3 of this Article) then *Homeowner* may, but shall not be required to, proceed to Arbitration as described in Section 4 of this Article. If, as a result of the Conference, certain issues in the Dispute have been resolved, the *Parties* shall jointly state in writing the issues that have been resolved and the issues that remain unresolved and will require Arbitration. Although Arbitration is the next formal step in the procedure, the *Parties* shall have every right to continue to negotiate informally to resolve the Dispute following the Conference and prior to Arbitration.

(g) In order to increase the likelihood that the Dispute can be informally resolved outside of arbitration and to promote the free flow of candid discussion between the *Parties*, the *Parties* agree that any offers of compromise or settlement shall be deemed to be in the interest of resolving the Dispute and therefore such offers of compromise or settlement are not admissible as evidence in any proceeding.

3. Review of Termite Infestation Claims

Any termite infestation claim by a *Homeowner* that is not subject to resolution through Negotiation as required by Section 2 of this Article may not be made subject to Arbitration

pursuant to Section 4 of this Article. Rather, any Dispute concerning such a claim, shall be referred to a recognized entomologist, agreeable to the *Homeowner*, the *Association* and *Schuler Homes*, for resolution. The entomologist's certification concerning the claim and Dispute shall be the sole basis for its disposition and the *Homeowner*, the *Association* and *Schuler Homes* shall be bound by entomologist's determination. All costs of the inspection and services of the entomologist shall be paid by (i) *Schuler Homes* if the claim of the *Homeowner* is determined to be valid or (ii) the *Homeowner* if the claim is determined to be invalid.

4. Arbitration of Disputes

(a) In the event that the *Parties* have completed Negotiation as required by Section 2 but failed to resolve the Dispute, then, if either the *Homeowner* or *Schuler Homes* wish to pursue the matter further, the unresolved aspects of the Dispute shall be resolved by Arbitration in accordance with the Arbitration Rules, Procedures, and Protocols of Dispute Prevention & Resolution, Inc. then in effect. There shall be no recourse to litigation and the *Parties* agree that the only method to resolve Disputes not resolved by Negotiation (except termite infestation claims which shall be resolved pursuant to Section 3 of this Article) shall be by way of Arbitration in accordance with this Article.

(b) *Homeowner* and *Schuler Homes* agree that in addition to the Dispute Prevention & Resolution, Inc. the following additional rules shall govern the Arbitration: (i) the Arbitrator shall not be any present or past owner, officer, director, employee, consultant, agent, attorney, or other representative of any Home builder or real estate agent, or of any affiliate of any of them; (ii) the location for the Arbitration shall be at the *Home* or at such other place as is mutually agreed; (iii) a transcript may be made of the proceedings at either party's request; (iv) *Parties in dispute shall pay their share, to be divided evenly, of hourly fee required by DPR* (v) the Arbitrator may act as a mediator to attempt to resolve the Dispute before commencing any formal Arbitration proceedings and (vi) the Arbitration award shall state findings of fact and conclusions of law.

5. Statute of Limitations

A demand for Arbitration must be filed under the Commercial Arbitration Rules within the time periods prescribed by the applicable statute(s) of limitations. The notice described in Section 2(c) of this Article shall not stop the running of any statute of limitations.

6. Acceptance of Arbitration

As described in your *Deposit Receipt, Reservation and Sales Agreement*, you have agreed to submit any claim or cause of action arising out of or in any way related to this Warranty for determination by Arbitration, except for termite infestation claims, which shall be resolved as provided in Section 3 of this Article.

Buyer's Initials: _____ _____ _____ _____

F. AGREEMENT AND ACCEPTANCE

By signing in the appropriate area below, *Schuler Homes* agrees to fulfill all of its obligations under this Warranty. By its signature(s), *Homeowner* acknowledges its receipt and understanding of and agreement to this Warranty in its entirety and *Homeowner*'s acceptance of this Warranty in lieu of all other warranties, express or implied, including merchantability, habitability, workmanlike construction, marketability and fitness for a particular purpose and agree that it applies to the following *Home*:

Home (Lot/Townhome No.) _____
Address _____
Purchase Price _____
Commencement Date _____ (Date of recording of the deed for the *Home*)

Date: _____

SCHULER HOMES:

SCHULER HOMES, INC.
a Delaware corporation

By _____
Its

HOMEOWNER:

_____
[PRINT FULL NAME] [SIGNATURE]

_____
[PRINT FULL NAME] [SIGNATURE]

_____
[PRINT FULL NAME] [SIGNATURE]

_____
[PRINT FULL NAME] [SIGNATURE]

EXHIBIT "G"
ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fee	Monthly Fee	Yearly Total		
Apartment				
Residence 1	$343.29	$4,119.52		
Residence 2	$304.79	$3,657.45		
Residence 3	$501.53	$6,018.37		
Residence 4	$386.60	$4,639.16		
Residence 5	$386.60	$4,369.16		
Residence 6	$304.79	$3,657.45		
Residence 7	$304.79	$3,657.45		
Residence 8	$282.95	$3,395.37		
Residence 9	$304.79	$3,657.45		
Residence 10	$334.29	$4,011.48		
Residence 11	$386.60	$4,639.16		
TOTALS	$3,841.01	$46,822.00		

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

In addition to the above fees, each owner will be responsible for paying as a component of common expenses for the project, premiums for property insurance on such owner's residence. The Declaration of Condominium Property Regime of Kai Nui Court and the Bylaws of the association of Apartment owners of Kai Nui Court set forth additional provisions regarding insurance to be maintained by owners. Flood insurance for residences, if desired, is to be obtained by each owner at such owner's discretion.

Estimate of Maintenance Fee Disbursements
Kai Nui Court
(11 units)

	Monthly Fee	Yearly Total
Utilities and Services		
Electricity		
[X] common elements only	$50.00	$600.00
[ ] common elements and apartments		
Refuse Collection	$300.00	$3,600.00
Telephone (Enterphone)	$60.00	$720.00
Water and Sewer	$925.00	$11,100.00
Maintenance, Repairs and Supplies		
Building	$200.00	$2,400.00
Grounds (shared)	$232.00	$2,784.00
(condo)	$916.00	$10,992.00
Management		
Management Fee	$521.00	$6,252.00
Office Expenses	$110.00	$1,320.00
Insurance		
Liability	$125.00	$1,500.00
Director & Officer	$30.00	$360.00
Bond	$20.00	$240.00
Reserves	$200.00	$2,400.00
Audit Fees	$42.00	$504.00
Equipment, Legal, & Condo Registration Fee	$110.00	$1,320.00
TOTAL	**$3,841.00**	**$46,092.00**

I, Phyllis Kacher, as agent for/and/or employed by Hawaiiana Management Company, the condominium managing agent/developer for the Kai Nui Court Condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Phyllis Kacher — Signature

4-26-01 — Date

Pursuant to 514A-83.6, Hawaii Revised Statutes, a new association created after January 1, 1993 need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting. The Developer has not conducted a reserve study for the Project. The budget amount for Reserves is an estimate only.

EXHIBIT "H"

SUMMARY OF SALES CONTRACT

The Deposit Receipt, Reservation and Sales Agreement (the "Sales Contract") contains the price and other terms and conditions under which a purchaser will agree to buy a Residence in the Project. Among other things, the Sales Contract states:

(a) The total purchase price, method of payment and additional sums which must be paid in connection with the purchase of a residence.

(b) That the purchaser acknowledges having received and read a public report (either preliminary or final) for the Project prior to signing the Sales Contract.

(c) That the Developer makes no representations concerning rental of a residence, income or profit from a residence, or any other economic benefit to be derived from the purchase of a residence.

(d) That the Sales Contract may be subordinate to the lien of a construction lender.

(e) That the purchaser's money will be held in escrow, under the terms of the Escrow Agreement.

(f) Requirements relating to the purchaser's financing of the purchase of a residence.

(g) That the residence and the Project will be subject to various other legal documents which the purchaser should examine, and that the Developer may change these documents under certain circumstances.

(h) That, except to the extent of a limited warranty in form attached as Exhibit "F" to this Public Report, the Developer makes no warranties regarding the residence, the Project or anything installed or contained in the residence or the Project.

(i) That the Project will be subject to ongoing construction and sales activities which may result in certain annoyances to the purchaser.

(j) That the purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

(k) That the Developer has reserved certain rights and powers relating to the Project and the purchaser acknowledges and consents to the exercise of such rights and powers.

(l) That except under certain circumstances, as set forth in the Sales Contract, all interest on deposits toward the purchase price shall be the property of the Developer.

(m) If the purchaser defaults, Developer may retain purchaser's deposits and bring on action against purchaser.

The Sales Contract contains various other important provisions relating to the purchase of a residence in the Project. Purchasers and prospective purchasers should carefully read the specimen Sales Contract on file with the Real Estate Commission.

END OF EXHIBIT "H"

EXHIBIT "I"

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement sets up an arrangement under which the deposits a purchaser makes pursuant to a Sales Contract will be held by a neutral party ("Escrow"). Under the Escrow Agreement, these things will or may happen:

(a) Escrow will let the purchaser know when payments are due.

(b) Escrow will arrange for the purchaser to sign all necessary documents.

(c) Except under certain circumstances as set forth in the Sales Contract, all deposits toward the purchase price shall be the property of the Developer.

(d) The purchaser will be entitled to a refund of his or her funds only under certain circumstances as set forth in the Sales Contract.

The Escrow Agreement also establishes the procedures for the retention and disbursement of a purchaser's funds and says what will happen to the funds upon a default under the Sales Contract. The Escrow Agreement contains various other important provisions and establishes certain charges with which a purchaser should be familiar. Purchasers and prospective purchasers should carefully read the signed Escrow Agreement on file with the Real Estate Commission. Because the performance bond guarantying completion of construction has been issued by a material house surety, the Escrow Agreement limits the circumstances under which purchasers funds may be used in general. Purchasers' funds shall not be disbursed to pay for construction costs or other expenses of the project until both the completion of the apartment to be conveyed and the closing of the sale.

END OF EXHIBIT "I"

EXHIBIT "J"

KAI NUI COURT
RESIDENCE SELECTION FORM AND
NOTICE OF LOTTERY NUMBER RESERVATION SYSTEM
AND RECEIPT OF OWNER-OCCUPANT AFFIDAVIT FORM
Residence Selection Form

Residence No. _____ Model Type _____
Square Footage _____ Projected Price _____
Reservation List Number: _____

PRINT Full name of Buyers:

_____
FIRST MIDDLE LAST

_____
FIRST MIDDLE LAST

_____
FIRST MIDDLE LAST

_____
FIRST MIDDLE LAST

Address: _____
Street Address

_____
City State Zip

Phone (Res.) _____ (Bus.) Husband _____
(Bus.) Wife _____

Buyer's Signature: _____ Date: _____

Buyer's Signature: _____ Date: _____

Buyer's Signature: _____ Date: _____

Buyer's Signature: _____ Date: _____

This Residence Selection Form does not constitute a sales contract or a reservation. If Buyer elects not to sign the Deposit Receipt, Reservation and Sales Agreement presented by Seller for the purchase of a residence within three (3) days of Seller's request, then Buyer's deposit is refundable and Buyer shall have no further right to execute a Sales Contract for the residence selected.

RECEIPT OF EARNEST MONEY DEPOSIT ACKNOWLEDGED:
Date: _____ Time: _____ A.M./P.M. Check Amount _____

By: _____
(Agent for Developer/Real Estate Broker)

Identification of Deposit: [ ] Cash
[ ] Check

Check No. _____

KAI NUI COURT
Notice and Receipt

This is a Notice given by SCHULER HOMES, INC., (the "Developer") in regard to a proposed fee simple detached single family residence community to be known as "KAI NUI COURT" (the "Community"), which the Developer has made preliminary plans to develop at Maunalua, City and County of Honolulu, Hawaii, TMK No. (Oahu) 3-9-008-029. Pursuant to the lottery number reservation system established for this Community, you have been selected as a prospective purchaser and will be offered the opportunity to enter into a sales contract for a residence at Kai Nui Court, if the Developer elected to proceed with present plans to construct and market the Community. You will be able to select a residence based upon the lottery number assigned to you.

By signing below, the undersigned acknowledges the following:

1. The undersigned has received the form of "Affidavit of Intent to Purchase and Reside in an Owner-Occupant designated Fee Simple Detached Single Family Residence" (the "Owner-Occupant Affidavit").

2. The undersigned has read or has been given an opportunity to read the Owner-Occupant Newspaper Announcement ("Pre-Sale Notice") regarding the Community, or a copy thereof, which was first published in the Honolulu Advertiser/Star Bulletin on June 10, 2001.

3. Prior to the date on which the Pre-Sale Notice was first published, the undersigned did not receive any information regarding the Community or any advance notice of the first publication date from any person who, to the best of the undersigned's knowledge, is an agent or employee of the Developer, or is a licensed real estate agent.

4. The undersigned has been furnished with or been given an opportunity to review a list of those residences in the Community which have been designated for sale to prospective owner-occupants: ("designated residences") pursuant to section 514A-103, HRS.

5. The undersigned understands that prospective owner-occupants will be given the opportunity to purchase a designated residence in the order in which they were selected in the lottery. Their priority number or **lottery number will be assigned on the basis of the order in which each was chosen in the lottery. Each prospective owner occupant purchaser, in the order in which they were selected in the lottery, shall be given the opportunity to first select a residence from the designated residences available and not previously selected. Based on that selection, the prospective owner-occupant purchaser shall be given the opportunity to complete an Owner-Occupant Affidavit, to execute a sales contract for the purchase of the selected designated residence and to make an earnest money deposit in the amount of $5,000**. If the prospective purchase fails to do so within 48 hours of the lottery and the assignment of a lottery number, the prospective purchaser shall lose their priority and their selected residence will be offered for purchase to the next person on the priority list who has selected that residence or who has not yet been given the opportunity to select a residence. Each of the prospective owner-occupants on the priority list will be offered an opportunity to select and enter into a sales contract for the purchase of a designated residence **in the order in which their names appear on the priority list**. Those prospective owner-occupants who are not initially offered an opportunity to select and enter into a sales contract for the purchase of a residence, or who initially decline to select and enter into a sales contract, may retain their position on the Reservation List as "back-up" prospective owner-occupants.

6. The undersigned understands that any earnest money deposit which the undersigned submits will be deposited in an escrow account that **will not earn interest for the undersigned's account**. At any time prior to entering into a sales contract for the purchase of a designated residence, the undersigned may request in writing to be removed from the Reservation List and thereupon will receive a full refund of the undersigned's earnest money deposit without interest. If the undersigned is not offered the opportunity to enter into a sales contract within 6 months after the issuance of an effective date for the first Public Report on the Community, or the undersigned elects not to enter into a sales contract, the undersigned will be removed from the Reservation List and receive a full refund of the earnest money deposit without interest.

7. This is a "Notice" to prospective owner-occupants and a "Receipt" for the Owner-Occupant Affidavit only. **This is not a contract and does not give the undersigned any right to purchase a residence in the Community or to have the undersigned's name appear on the Reservation List. To be on the Reservation List, the undersigned must return a fully completed and executed Owner-Occupant Affidavit and make the earnest money deposit set forth above.**

8. The undersigned has signed this Notice and Receipt in the presence of an agent or representative of the Developer or the Developer's Real Estate Broker.

Signature	Signature
Print Name	Print Name
Signature	Signature
Print Name	Print Name

Signed in my presence:

Agent for Developer/Broker

KAI NUI COURT
AFFIDAVIT OF INTENT TO PURCHASE AND RESIDE IN AN OWNER-OCCUPANT DESIGNATED FEE SIMPLE DETACHED SINGLE FAMILY RESIDENCE

We, the undersigned "owner-occupants", on this _____ day of _____, 20____, do hereby declare that it is our intention to purchase and reside in a designated fee simple detached single family residence designated for an "owner-occupant" in KAI NUI COURT detached single family residence ("Community") proposed by Schuler Homes, Inc. ("Developer").

We understand, affirm, represent and agree by signing this Affidavit that:

1. It is our intent to reserve and purchase an owner-occupant designated detached single family residence ("designated residence") pursuant to section 514A-103 of the Owner-Occupant Law, and upon closing escrow, to reside in the designated residence as our principal residence for 365 consecutive days.

2. The term "owner-occupant" as used herein is defined in section 514A-101 of the Owner-Occupant Law as:

> "...any individual in whose name sole or joint legal title is held in a residential residence which, simultaneous to such ownership, serves as the individual's principal residence, as defined by the state department of taxation, for a period of not less than three hundred and sixty-five consecutive days, provided that the individual retains complete possessory control of the premises of the residential residence during this period. An individual shall not be deemed to have complete possessory control of the premises if the individual rents, leases or assigns the premises for any period of time to any other person in whose name legal title is not held." (Emphasis added).

3. We understand that if two or more prospective owner-occupants intend to reside jointly in the same designated residence, only one owner-occupant's name shall be placed on the reservation list for the lottery system.

4. Should we require financing from a financial institution to purchase the designated residence, the financing shall be an owner-occupant mortgage loan. The financial institution is required to take all reasonable steps necessary to determine whether the borrower intends to become an owner-occupant.

5. At any time after obtaining adequate financing or a commitment for adequate financing up until the expiration of this Affidavit (365 days after recordation of the instrument conveying the designated residence to us), we shall notify the Real Estate Commission immediately upon any decision to cease being an owner-occupant of the designated residence.

6. At closing of escrow, we shall file a claim for and secure an owner-occupant property tax exemption with the appropriate county office for the designated residence.

7. We have personally executed this Affidavit and we are all of the prospective owner-occupants for the designated residence. This Affidavit shall not be executed by an attorney-in-fact.

8. This Affidavit shall be reaffirmed by us no earlier than our receipt for the Community's Final Public Report and no later than the closing of escrow for the residence. The developer shall cancel our sales contract or reservation if we fail to make the reaffirmation. If the sales contract has become binding pursuant to section 514A-62 of the Condominium Property Act, we may be considered to be in default under our sales contract, and the Developer may exercise the default or other remedies provided for in the sales contract and any other remedies provided by law.

9. We shall not sell or offer to sell, lease or offer to lease, rent or offer to rent, assign or offer to assign, convey or otherwise transfer any interest in the designated residence until at least 365 consecutive days have elapsed since the recordation of the instrument conveying title to the designated residence to us. Furthermore, we understand that we have the burden of proving our compliance with the law.

10. We understand that it is the affirmative duty of any developer, employee or agent of a developer, and real estate licensee, to report immediately to the Real Estate Commission any person who violates or attempts to violate the Owner-Occupant Law. No developer, employee or agent of a developer, or real estate licensee shall violate or aid any person in violating the Owner-Occupant Law.

11. The Real Estate Commission may require verification of our owner-occupant status and if we fail to submit such verification, we may be subject to a fine in an amount equal to the profit made from the sale, assignment or transfer of the designated residence.

12. Any false statement in this Affidavit or violation of the Owner-Occupant Law shall subject us to a misdemeanor charge with a fine not to exceed $2,000, or by imprisonment of up to a year or both. We further understand that if we violate or fail to comply with the Owner-Occupant Law, we shall be subject to a civil penalty of up to $10,000, or fifty per cent of the net proceeds received or to be received from the sale, lease, rental, assignment or other transfer of the designated residence, whichever is greater.

13. When required by context, each pronoun reference shall include all numbers (singular or plural) and each gender shall include all genders.

By signing this affidavit we represent and affirm that we have read, understand and agree to the above statements.

1) _____
Purchaser's signature Print Name Date

2) _____
Purchaser's signature Print Name Date

3) _____
Purchaser's signature Print Name Date

4) _____
Purchaser's signature Print Name Date

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this _____ day of _____, 20_____, before me personally appeared _____, to me personally known, who, being by me duly sworn or affirmed, did say that such person(s) executed the foregoing instrument as the free act and deed of such person(s), and if applicable, in the capacities shown, having been duly authorized to execute such instrument in such capacities.

_____
Type or print name: _____
Notary Public, State of Hawaii.
My commission expires: _____

REAFFIRMATION
(Leave Section Blank Until After Receipt for the Final Public Report)

We represent and affirm that we have received the Final Public Report for the residence community identified on page one of the attached Affidavit.

By signing this Reaffirmation we represent, warrant and confirm that we have read, understand, agree to and reaffirm all the statements set forth in the attached Affidavit. We reaffirm that we are and will be the owner-occupants of the designated residence, and that the designated residence will be our principal residence for 365 consecutive days after recordation of the instrument conveying the designated residence to us.

REAFFIRMATION OF OWNER-OCCUPANTS:

1) _____
Purchaser's signature Print Name Date

2) _____
Purchaser's signature Print Name Date

3) _____
Purchaser's signature Print Name Date

4) _____
Purchaser's signature Print Name Date

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this _____ day of _____, 20_____, before me personally appeared _____, to me personally known, who, being by me duly sworn or affirmed, did say that such person(s) executed the foregoing instrument as the free act and deed of such person(s), and if applicable, in the capacities shown, having been duly authorized to execute such instrument in such capacities.

_____

Type or print name: _____
Notary Public, State of Hawaii.

My commission expires: _____

END OF EXHIBIT "J"