

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer D.R Horton-Schuler Homes, LLC, a Delaware limited liability company, dba Schuler Homes
Address 828 Fort Street Mall, 4th Floor, Honolulu, Hawaii 96813
Project Name (*): Nanea Kai
Address: Hawaii Kai Drive, Honolulu, Hawaii 96825
Registration No. 4877 Effective date: June 27, 2002 Expiration date: March 27, 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.
CONTINGENT FINAL: (green) The developer has legally created a condominium and has filed information with the Commission for this report which EXPIRES NINE (9) MONTHS after the above effective date.
FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
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.

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

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

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

SPECIAL ATTENTION

This Contingent Final Public Report has been prepared by the Developer pursuant to §514A-39.5, HRS. The Real Estate Commission issued this report before the developer submitted certain documents and information as more fully set forth in the statutory notice below. Sales contract executed pursuant to this report **are binding on the buyer under those conditions specified immediately below** and in Part V. B. of this report found on pages 18 & 19 of this report. This report expires nine (9) months after the effective date of the report and may not be extended or renewed.

STATUTORY NOTICE

"The effective date for the Developer's Contingent Final Public Report was issued before the Developer submitted to the Real Estate Commission: the executed and recorded deed or master lease for the project site; the executed construction contract for the project; the building permit; satisfactory evidence of sufficient funds to cover the total project cost; or satisfactory evidence of a performance bond issued by a surety licensed in the State of not less than one hundred percent of the cost of construction, or such other substantially equivalent or similar instrument or security approved by the Commission. Until the Developer submits each of the foregoing items to the Commission, all Purchaser deposits will be held by the escrow agent in a federally-insured, interest-bearing account at a bank, savings and loan association, or trust company authorized to do business in the State. If the Developer does not submit each of the foregoing items to the Commission and the Commission does not issue an effective date for the Final Public Report before the expiration of the Contingent Final Public Report, then:

- (1) The Developer will notify the Purchaser thereof by certified mail; and
- (2) Either the Developer or the Purchaser shall thereafter have the right under Hawaii law to rescind the Purchaser's sales contract. In the event of a rescission, the Developer shall return all of the Purchaser's deposits together with all interest earned thereon, reimbursement of any required escrow fees, and, if the Developer required the Purchaser to secure a financing commitment, reimburse any fees the Purchaser incurred to secure that financing commitment." (§514A-64.5, HRS)

The developer is not required to submit but has for this registration submitted the following documents and information:

1. The executed and recorded deed for the project site.
2. The letter relating to the availability of funds to complete the project.

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

Facilities and improvements normally associated with County approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owner and emergency traffic, drainage facilities, etc., may not necessarily be provided for, and services such as County street maintenance and trash collection will not be available for interior roads and driveways.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: D.R. Horton-Schuler Homes, LLC, a Delaware Phone: (808) 521-5661
Limited liability company, dba Schuler Homes (Business)
Name*
828 Fort Street, 4th Floor
Business Address
Honolulu, Hawaii 96813

Business Address 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, President-CEO; Michael T. Jones, Executive Vice President; Harvey L. Goth, Senior Vice President; Douglas M. Tonokawa, Vice President Finance/Assistant Secretary; Peter M. Aiello, Vice President Design and Development; Mary K. Flood, Vice President Sales and Marketing; Frank S. Payne, Vice President Operations; Lawrence Tucker, Second Assistant Secretary of Vertical Construction Corporation, the Developer's manager.

Real Estate Broker*: Schuler Realty Hawaii, Inc. Phone: (808)526-3588
Name (Business)
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

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

General Contractor*: Vertical Construction Corporation Phone: (808) 521-5661
Name (Business)
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

Condominium: Managing Agent*: Hawaiiana Management Company, Ltd. Phone: (808) 593-9100
Name (Business)
711 Kapiolani Boulevard, Suite 700
Business Address
Honolulu, Hawaii 96813

Attorney for Developer: Case Bigelow & Lombardi Phone: (808) 547-5400
Dennis M. Lombardi, Esq. (Business)
Name
737 Bishop Street, Suite 2600
Business Address
Honolulu, Hawaii 96813

*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
 Recorded - Bureau of Conveyances: Document No. 2002-105805
Book _____ Page _____
 Filed - Land Court: Document No. _____

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

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

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. 3456
 Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2002-105806
Book _____ Page _____
 Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

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

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

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

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

2. **Developer:**

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

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

- A. The Project consists of eighty-seven (87) 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 project, sometimes hereinafter referred to as "Community".
- F. Developer has reserved the right to alter the location, size and design of any unsold Residences as described in Section III.H. p. 16. Such changes could result in a modification of an Owner's common interest and voting rights.
- G. Developer has reserved (1) the right to construct off street parking stall "carport" style cover/roofs in locations determined by Developer's sole and absolute discretion, and (2) the right to amend the Condominium Map to reflect such additions to the Common Area.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- 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 there negotiated 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: Hawaii Kai Drive Tax Map Key (TMK): (1) 3-9-008-063
Honolulu, Hawaii 96825

Address TMK is expected to change because the property has not yet been assigned specific street addresses.

Land Area: 182,253 square feet acre(s) Zoning: A-2

Fee Owner: D.R. Horton-Schuler Homes, LLC, a Delaware Limited liability company, dba Schuler Homes
 Name
828 Fort Street Mall 4th Floor
 Address
Honolulu, Hawaii 96813

Lessor: N/A
 Name
 Address

C. Buildings and Other Improvements:

1. New Building(s)
 Conversion of Existing Building(s)
 Both New Building(s) and Conversion
2. Number of Buildings: 6 Floors Per Building: 3
 Exhibit _____ contains further explanations.
3. Principal Construction Material:
 Concrete Hollow Tile Wood
 Other Wood frames, metal, glass and other building materials
4. Uses Permitted by Zoning:

	No. of Apts.	Use Permitted By Zoning	
<input checked="" type="checkbox"/> Residential	<u>87</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No

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

5. Special Use Restrictions:

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

[X] Pets: Reasonable number of common household pets, such as small dogs, cats, aquarium fish and birds. 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 ordinances.

[X] 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

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u> (sf)**	<u>Net Lanai Area (sf)**</u>	<u>Net Garage Area</u>
<u>A/A-R</u>	<u>4</u>	<u>3/2½</u>	<u>1,273</u>	<u>98</u>	<u>192</u>
<u>B/B-R</u>	<u>4</u>	<u>3/2½</u>	<u>1,595</u>	<u>81</u>	<u>392</u>
<u>C/C-R</u>	<u>12</u>	<u>2/2</u>	<u>1,377</u>	<u>173</u>	<u>191</u>
<u>D/D-R</u>	<u>23</u>	<u>2/2</u>	<u>1,179</u>	<u>116</u>	<u>191</u>
<u>D end Rev</u>	<u>2</u>	<u>2/2</u>	<u>1,186</u>	<u>119</u>	<u>192</u>
<u>E/E-R</u>	<u>23</u>	<u>3/2½</u>	<u>1,582</u>	<u>80</u>	<u>192</u>
<u>E end Rev</u>	<u>2</u>	<u>2/2</u>	<u>1,587</u>	<u>80</u>	<u>391</u>
<u>F</u>	<u>3</u>	<u>2/2</u>	<u>980</u>	<u>88</u>	<u>191</u>
<u>F-R</u>	<u>2</u>	<u>2/2</u>	<u>980</u>	<u>88</u>	<u>243</u>
<u>G</u>	<u>3</u>	<u>3/2½</u>	<u>1,466</u>	<u>0</u>	<u>201</u>
<u>G-R</u>	<u>2</u>	<u>3/2½</u>	<u>1,461</u>	<u>0</u>	<u>191</u>
<u>H</u>	<u>3</u>	<u>3/2½</u>	<u>1,494</u>	<u>98</u>	<u>201</u>
<u>J</u>	<u>2</u>	<u>2/2</u>	<u>1,377</u>	<u>196</u>	<u>191</u>
<u>K</u>	<u>2</u>	<u>3/2 ½</u>	<u>1,500</u>	<u>0</u>	<u>191</u>

Total Number of Apartments: 87

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

****The lanai and garage areas may also sometimes include storage areas.**

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.

Limits of Residences. Each Residence includes all walls, columns and partitions which are not load-bearing within the Residence's perimeter walls (including the garage, if any, associated therewith, as shown on the Condominium Map), the inner decorated or finished surfaces of all walls, floors, ceilings, doors, door frames and window frames along the perimeters, all windows along the perimeters, the air space within the perimeter, the lanais, if any, shown on the Condominium Map to the inner decorated or finished surfaces of the perimeter walls of such lanais and to the interior edge of the exterior railings or other boundaries of such lanais, the entry court or area, if any, shown on the Condominium Map to the inner decorated or furnished surfaces of the perimeter walls of such entry court or area and to the interior edge of other boundaries of such entry court or area, the exterior storage areas, if any, shown on the Condominium Map, all rollers, locks, handles, tracks, and appurtenant hardware associated with all windows, doors and exterior automobile garage doors, if any, 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 not include the undecorated or unfinished surfaces of the perimeter party or non-party walls, the undecorated or unfinished surfaces of the doors, door frames and window frames along the perimeters, the interior load-bearing columns, girders, beams

and walls, the undecorated or unfinished surfaces of the floors and ceiling surrounding each Residence, the exterior edge of the exterior railings or other exterior boundaries of the lanais, if any, shown on the Condominium Map, or any pipes, shafts, wires, conduits or other utility or service lines running through an Residence which are utilized for or serve more than one Residence, all of which are deemed common elements as provided in this Declaration.

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.

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: 193

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		TOTAL
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
	N/A						
Assigned (for each unit)	<u>1* or 2*</u>	<u>1 or 0*</u>	_____	_____	_____	_____	<u>174</u>
Guest	<u>19**</u>	_____	_____	_____	_____	_____	<u>19</u>
Unassigned	_____	_____	_____	_____	_____	_____	_____
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other:	_____	_____	_____	_____	_____	_____	_____
Total Covered & Open:	<u>193</u>	_____	_____	_____	_____	_____	<u>193</u>

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 home has at least a one car enclosed garage and a second off street parking stall. The second non garage parking stall. The second parking stall may be covered or uncovered depending on whether Developer constructs open "carport" style stall covers. Homes types with a 2 car enclosed garage will not be assigned an additional parking stall.

**Includes compact and standard 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)

Other: Homes with only a one car garage will be assigned an additional parking stall as noted on the Condominium Map). These stalls may be covered or uncovered.

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

There are no violations. Violations will not be cured.

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

*Such stalls will be designated as Regular(s) or Compact(s) in size as designated on map.

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u>X</u>	<u> </u>	<u> </u>
Structures	<u>X</u>	<u> </u>	<u> </u>
Lot	<u>X</u>	<u> </u>	<u> </u>

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest:

1. Common Elements: Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

described in Exhibit B-2.

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.

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

described in Exhibit B-3.

as follows:

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

described in Exhibit C.

as follows:

The common interest and easements appurtenant to each Home shall have a permanent character and shall not be altered except as noted in Section F 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 F or Section M.3 of the Declaration as set forth in subpart H of this report, 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. In that the development of the Community will proceed incrementally, Section F also provides that common expense will be allocated based on common interests of the Homes in each increment as new increments are created within the Community. Initially, common expenses will be borne by Increment 1 Home owners in proportion to the common interest of the Increment 1 Home owners. Section M.3 allows the Developer prior to the sale of all Homes and 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 and size of 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 A describes the encumbrances against the title contained in the title report dated April 25, 2002 and issued by Title Guaranty Hawaii, Inc.

Blanket Liens:

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

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
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 D.

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 no 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 June 2002 and should be completed by approximately September 2003.

H. **Project Phases:**

The developer [X] has [] 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):

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.
3. To develop the community in increments on a building by building basis.

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

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

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, 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 E contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

Note: The Estimated Maintenance Fee Disbursements for the Nanea Kai Association have been compiled by Hawaiiiana Management Company., a licensed property manager assuming that all Residences in the Community and reflected on the Condominium Map are constructed. 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, nor do they 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 homeowners 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 June 1, 2003. Accordingly, Home Owners shall not be obligated for the payment of their respective shares of the common expenses until June 1, 2003. From and after June 1, 2003, Home Owners will be obligated to pay their respective shares of the common expenses allocated to their Home, beginning with the budgeted monthly maintenance fees for the month of June, 2003. Notwithstanding the foregoing common profits and expenses of the Community shall be allocated to and shared among those Homes for which an Architect's Certificate of Completion of increment has been Recorded, proportionate to the common interests appurtenant to such Homes. Common expenses shall be borne solely by Homes within the initial Increment 1, until development of subsequent increments.

C. **Utility Charges for Apartments:**

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

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

* water and sewer charges may be separately assessed to the Residences and uses may be submetered
** Sewer service to the Community is provided by a private service provider.

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit F contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated May 24, 2002
Exhibit G contains a summary of the pertinent provisions of the escrow agreement.
- Other Exhibit "H" is a Residence Selection Form; Notice of Chronological Reservation System and Receipt of Owner-Occupied 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.

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

- A) The Developer delivers to the buyer a copy of:
 - 1) Either the Contingent Final Public Report **OR** the Supplementary Public Report which has superseded the Contingent 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.

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

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

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

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

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

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

- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended.
- D) House Rules, if any.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other _____

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

This Public Report is a part of Registration No. 4877 filed with the Real Estate Commission on June 18, 2002.

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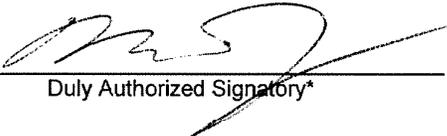
YELLOW paper stock WHITE paper stock PINK paper stock GREEN paper stock

C. **Additional Information Not Covered Above**

1. All prospective purchasers should also be aware that the private yard areas available to certain homes in the Community are not subdivided lots, but are exclusive use areas appurtenant to the home(s).

- D. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

D.R. HORTON-SCHULER HOMES, LLC, a Delaware limited liability company, dba SCHULER HOMES
Printed Name of Developer

By:  _____ Date June 18, 2002
Duly Authorized Signatory*

MICHAEL T. JONES, Executive Vice President
Printed Name & 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"

ENCUMBRANCES AGAINST TITLE

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. DESIGNATION OF EASEMENT "3" (area 300 square feet)

PURPOSE : drain
SHOWN : on tax map

3. GRANT

TO : CITY AND COUNTY OF HONOLULU
DATED : November 3, 1970
RECORDED : Liber 8047 Page 49
GRANTING : an easement for drainage purposes over the following described easement area:

EASEMENT "3":

Twenty (20) feet wide; Area: 200 square feet; for drainage purposes beginning at the south corner of this parcel of land, on the northerly side of Lot A of "Trans-Marina Road Phase I", File Plan 1161, the coordinates of said point of beginning referred to Government Survey Triangulation Station "KOKO HEAD NO. 3" being 9,103.75 feet north and 551.21 feet east, thence running by azimuths measured clockwise from true South:

1. 128° 09' 26" 10.00 feet along the remainder of R. P. 4475, L. C. Aw. 7713, Ap. 30 to V. Kamamalu;
2. 218° 09' 26" 20.00 feet along same;
3. 308° 09' 26" 10.00 feet along same;
4. 38° 09' 26" 20.00 feet along the northerly side of Lot A of "Trans-Marina Road Phase I, File Plan 1161, along remainder of R. P. 4475, L. C. Aw. 7713, Ap. 30 to V. Kamamalu to the point of beginning and containing an area of 200 square feet, more or less.

4. GRANT

TO : CITY AND COUNTY OF HONOLULU
DATED : May 28, 1974
RECORDED : Liber 10448 Page 200
GRANTING : an easement for flowage purposes as shown on the map attached thereto

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

INSTRUMENT : UNILATERAL AGREEMENT AND DECLARATION FOR
CONDITIONAL ZONING
DATED : July 3, 1986
RECORDED : Liber 19645 Page 696
PARTIES : HAWAII KAI DEVELOPMENT COMPANY and the TRUSTEES
UNDER THE WILL AND OF THE ESTATE OF BERNICE PAUHI
BISHOP

Condition 3 of said Agreement was released by Instrument dated August 1, 2000 recorded as Document No. 2000-108342.

Said Agreement was amended by instruments dated June 23, 2000, recorded as Document No. 2000-112963, and dated November 28, 2000, recorded as Document No. 2000-167451.

6. Flowage Easement (to be canceled upon construction of adequate drainage facilities) in favor of the City and County of Honolulu, as stated in instrument dated May 1, 1994, recorded as Document No. 97-070019.

7. GRANT

TO : GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED now
known as VERIZON
DATED : July 23, 1997
RECORDED : Document No. 97-139679
GRANTING : a perpetual right and easement for utility purposes over, under, upon,
across and through the following described easement area:

All of that certain parcel of land (being portion of the land(s) described in and covered by Royal Patent Number 4475, Land Commission Award Number 7713, Apana 30 to V. Kamamalu) situate, lying and being at Maunalua, Honolulu, City and County of Honolulu, State of Hawaii, being EASEMENT "T-1" (for telephone communications purposes) same being a portion of Lot 1 of the "KALUANUI 2 and 3", and thus bounded and described:

Beginning at the east corner of this easement, and on the northwest side of Hawaii Kai Drive, the coordinates of said point of beginning referred to Government Survey Triangulation Station "KOKO HEAD #3" being 9,227.61 feet north and 648.48 feet east, and running by azimuths measured clockwise from true South:

1. 38° 09' 26" 5.00 feet along the northwest side of Hawaii Kai Drive;
2. 128° 09' 26" 5.00 feet along the remainder of Lot 1 of "KALUANUI 2 and 3", along the remainder of R. P. 4475, L. C. Aw. 7713, Apana 30 to V. Kamamalu;
3. 218° 09' 26" 5.00 feet along same;
4. 308° 09' 26" 5.00 feet along same to the point of beginning and containing an area of 25 square feet, more or less.

8. LINE OF SIGHT RESTRICTION described per survey of Wilfred Y.K. Chin, Land Surveyor, with ControlPoint Surveying, Inc., dated November 15, 1999:

Being a portion of Lot 1-F, being also a portion of R. P. 4475, L. C. Aw. 7713, Apana 30 to V. Kamamalu, situate at Maunalua, Honolulu, City and County of Honolulu, State of Hawaii.

Beginning at the southwest corner of this parcel of land, being also the southeast corner of Lot 1-B and on the northerly side of Hawaii Kai Drive, the coordinates of said point of beginning referred to Government Survey Triangulation Station "KOKO HEAD 3" being 8,681.04 feet north and 27.30 feet east, and running by azimuths measured clockwise from true South:

1. 179° 01' 39" 5.65 feet along Lot 1-B, along remainder of R. P. 4475, L. C. Aw. 7713, Apana 30 to V. Kamamalu;
2. 259° 31' 137.14 feet along remainder of Lot 1-F, along remainder of R. P. 4475, L. C. Aw. 7713, Apana 30 to V. Kamamalu;
3. Thence along the Northerly side of Hawaii Kai Drive, on a curve to the right with a radius of 462.00 feet, the chord azimuth and distance being:

77° 12' 16" 138.19 feet to the point of beginning and containing an area of 862 square feet.

9. The failure to comply with the following covenants, conditions and reservations of which Maunalua Associates, Inc., a Hawaii corporation, and the Trustees of the Estate of Bernice Pauahi Bishop, and their respective successors and assigns, shall be beneficiaries, as contained in LIMITED WARRANTY DEED dated December 19, 2000, recorded as Document No. 2000-177612, as amended by SUPPLEMENTAL DECLARATION dated December 19, 2000, recorded as Document No. 2000-177616. Said Supplement was amended by FIRST AMENDMENT TO SUPPLEMENTAL DECLARATION dated as of August 14, 2001, recorded as Document No. 2001-126995:

- (A) The height of structures developed on all of the land shall not exceed that permitted by the City and County of Honolulu.
- (B) The total number of individual condominium, apartment, townhouse or single-family living units ("Units") to be constructed, maintained, or permitted on the land shall not be more than 87 Units even if more Units are permitted by governmental authorities.
- (C) All projects and subdivisions within the various developments upon the land shall be given Hawaiian place names and the Trustees of the Estate of Bernice Pauahi Bishop ("Bishop Estate") shall be a beneficiary of this covenant.
- (D) Prior to any development of the land or any portion thereof, the Owner of such land to be developed will cause to be performed at its sole cost and expense such archaeological studies of the land as may be required from time to time by any applicable laws, rules, regulations or ordinances of the State of Hawaii and/or City and County of Honolulu as required under Condition 5 of the Unilateral Agreement. The owner of the land shall promptly notify Bishop Estate of any object of historical interest and all antiquities, including all specimens of Hawaiian or other ancient art or handicraft, which may be found on the land and which are not required to be turned

over to the State of Hawaii and/or the City and County of Honolulu. After the finding or discovery of same, the owner of the land shall make all such objects and antiquities available to Bishop Estate for Bishop Estate's inspection. In the event Bishop Estate, in its sole discretion, elects to cause any such objects or antiquities to be removed, Bishop Estate may do so provided that the cost of such removal shall be borne solely by Bishop Estate.

10. Matters as shown on survey map prepared by Alden S. Kajioka, Land Surveyor, with ControlPoint Surveying, Inc., dated September 8, 2000.

Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a survey or archaeological study prepared after September 8, 2000, would disclose.

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

INSTRUMENT : AGREEMENT FOR ISSUANCE OF CONDITIONAL USE PERMIT
UNDER SECTION 21-5.380 of the LAND USE ORDINANCE (LUO)
DATED : December 19, 2000
RECORDED: Document No. 2000-177617
PARTIES : HAWAII KAI ELDERCARE, LLC

12. -AS TO PARCEL SECOND:-

(A) Any claim or boundary dispute which may exist or arise by reason of the failure of the GRANT OF EASEMENT (1-F-2) (ACCESS, CONSTRUCTION AND MAINTENANCE OF DRAINAGE FACILITY) dated December 19, 2000, recorded as Document No. 2000-177621, referred to in Schedule C to locate with certainty the boundaries of the easement area(s) described in said instrument.

(B) The easement area(s) are not easements of record. There shall be no liability by reason of the failure to comply with applicable subdivision ordinances, laws or regulations.

13. GRANT

TO : HAWAII KAI ELDERCARE, LLC
DATED : December 19, 2000
RECORDED : Document No. 2000-177620
GRANTING : a perpetual non-exclusive easement for drainage purposes over, under, through and across the Easement Area described therein

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

INSTRUMENT : AMENDED AND RESTATED COST SHARING AGREEMENT
DATED : December 19, 2000
RECORDED : Document No. 2000-177622
PARTIES : HAWAII KAI ELDERCARE, LLC, a Hawaii limited liability company, "Zane", and KEAKU, LLC, a Hawaii limited liability company, "Keaku"

By ASSIGNMENT AND ASSUMPTION OF AMENDED AND RESTATED COST SHARING AGREEMENT dated March 5, 2002, recorded as Document No. 2002-039414, KEAKU, LLC, a

Hawaii limited liability company, assigned its rights under said Agreement to D.R. HORTON - SCHULER HOMES, LLC, a Hawaii limited liability company, dba SCHULER HOMES. Consent thereto given by HAWAII KAI ELDERCARE, LLC, a Hawaii limited liability company, by instrument dated March 5, 2002, recorded as Document No. 2002-039415.

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

INSTRUMENT : MAINTENANCE DECLARATION

DATED : December 19, 2000

RECORDED : Document No. 2000-177629

PARTIES : HAWAII KAI ELDERCARE, LLC, KEAKU, LLC, HAWAII
INTERGENERATIONAL COMMUNITY DEVELOPMENT ASSOCIATION,
21ST CENTURY HOMES, INC., and INVESTMENT PARTNERS, INC.

By ASSIGNMENT AND ASSUMPTION OF MAINTENANCE DECLARATION dated March 5, 2002, recorded as Document No. 2002-039413, KEAKU, LLC, a Hawaii limited liability company, assigned its rights under said Declaration to D.R. HORTON - SCHULER HOMES, LLC, a Delaware limited liability company, dba SCHULER HOMES.

16. Real Property Taxes as may be due and owing to the City and County of Honolulu, Department of Finance. Please contact the Real Property Assessment Office for further information.

END OF EXHIBIT "A"

EXHIBIT "B-1"

DESCRIPTION OF BUILDINGS AND RESIDENCES

DESCRIPTION OF BUILDINGS

There shall be four (4) different building types in the Community, designated as Building Types I to IV, inclusive. Each building shall have three stories or levels. Building Types I and II shall each have fifteen (15) residences; Building Type III shall have thirteen (13) residences and Building Type IV shall have fourteen (14) residences.

Each building is identified on the Condominium Map by a number designation. The following is a list of all of the Community's buildings by building type and number designation:

<u>Building Type</u>	<u>Buildings</u>
I	2,6
II	4,5
III	3
IV	1

DESCRIPTION OF RESIDENCES

The Community shall contain eighty-seven (87) Residences in six (6) buildings. None of the Residences or buildings have a basement. The Residences and buildings shall be constructed principally of metal, wood, glass and related building materials.

There are ten different model types in the Community, designated as Model Types A through H, inclusive, Model Types J through K, inclusive, Model Type D End, Model Type E End, Model Type F Rev, and Model Type G Rev. A description of each model type is as follows:

Model Types A/A-R

These Model Types are two-story Residences containing three bedrooms, two and one-half bathrooms, living/dining area (great room), kitchen, laundry area, storage area, water heater closet/storage, lanai, one-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 1,273 square feet, lanai area of approximately 98 square feet, and a garage area of approximately 192 square feet. There are four of these Model Type Residences in the Community.

Model Types B/B-R

These Model Types are three-story Residences containing three bedrooms, two and one-half bathrooms, living/dining area, kitchen, media room, laundry area, storage area, lanai, a two-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 1,595 square feet, a lanai area of approximately 81 square feet, and a garage area of approximately 392 square feet. There are four of these Model Type Residences in the Community.

Model Types C/C-R

These Model Types are three-story Residences containing two or three bedrooms, two and one-half or three and one-half bathrooms, living room, dining room, kitchen, bonus room, laundry area, water heater closet/storage, lanais, one-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 1,377 square feet, two lanai areas of approximately 173 square feet, and a garage area of approximately 191 square feet. The Bonus Room in these Model Types may be converted to a third bedroom with a den or full bath. There are twelve of these Model Type Residences in the Community.

Model Types D/D-R

These Model Types are two-story Residences containing two or three bedrooms, two and one-half bathrooms, living/dining area (great room), kitchen, laundry area, water heater closet/storage, lanai, a one-car garage and other improvements as shown on the Condominium Map. A portion of the master bedroom of this model type may be converted into a third bedroom. These Model Types contain a net living area of approximately 1,179 square feet, lanai area of approximately 116 square feet, and a garage area of approximately 191 square feet. There are twenty-two of these Model Type Residences in the Community.

Model Type D End Reverse

These Model Types are two-story Residences containing two or three bedrooms, two and one-half bathrooms, living/dining area (great room), kitchen, laundry area, water heater closet/storage, lanai, a one-car garage and other improvements as shown on the Condominium Map. A portion of the master bedroom of this model type may be converted into a third bedroom. This Model Type contains a net living area of approximately 1,186 square feet, lanai area of approximately 119 square feet, and a garage area of approximately 192 square feet. There are three of these Model Type Residences in the Community.

Model Types E/E-R

These Model Types are three-story Residences containing three bedrooms, two and one-half bathrooms, living/dining rooms, kitchen, laundry area, storage, lanai, a one-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 1,582 square feet, two lanai areas of approximately 80 square feet, and a garage area of approximately 191 square feet. There are twenty-two of these Model Type Residences in the Community.

Model Type E End Reverse

These Model Types are a three-story Residence containing three bedrooms, two and one-half bathrooms, living/dining rooms, kitchen, media room, laundry area, lanai, storage, a two-car garage and other improvements as shown on the Condominium Map. This Model Type contains a net living area of approximately 1,587 square feet, lanai area of approximately 80 square feet, and a garage area of approximately 391 square feet. There are three of these Model Type Residences in the Community.

Model Type F

These Model Types are one-story Residences containing two bedrooms, two bathrooms, living/dining rooms, kitchen, laundry area, water heater closet/storage, lanais, a one-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 980 square feet, lanai/storage areas of approximately 88 square feet, and a garage area of approximately 191 square feet. There are three Model Type F Residences in the Community.

Model Type F Reverse

These Model Types are one-story Residences containing two bedrooms, two bathrooms, living/dining rooms, kitchen, laundry area, water heater closet/storage, lanais, a one-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 1,311 square feet, a lanai and storage area of approximately 88 square feet and a garage area of approximately 243 square feet. There are two Model Type F Reverse Residences in the Community.

Model Type G

These Model Types are three-story Residences containing three bedrooms, two and one-half bathrooms, living/dining area, kitchen, laundry area, water heater closet/storage, lanai, a one-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 1,466 square feet, and a garage area of approximately 201 square feet. Model Type G Reverse Residences are approximately 15 square feet smaller than the Model Type G Residences. There are three Model Type G Residences in the Community.

Model Type G Reverse

These Model Types are three-story Residences containing three bedrooms, two and one-half bathrooms, living/dining area, kitchen, laundry area, water heater closet/storage, lanai, a one-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 1,461 square feet and a garage area of approximately 191 square feet. There are two Model Type G Reverse Residences in the Community.

Model Type H

These Model Types are three-story Residences containing three bedrooms, two and one-half bathrooms, living/dining areas, kitchen, laundry area, media room, storage area, lanai, a one-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 1,494 square feet, a lanai area of approximately 98 square feet and a garage area of approximately 201 square feet. There are three of these Model Type Residences in the Community.

Model Type J

These Model Types are three-story Residences containing two bedrooms, two and one-half bathrooms, living/dining areas, kitchen, bonus room, laundry area, storage area, water

heater closet/storage, lanai, lanai, a one-car garage and other improvements as shown on the Condominium Map. The bonus room may be converted to a third bedroom/den/third bathroom. These Model Types contain a net living area of approximately 1,377 square feet, lanai areas of approximately 196 square feet and a garage area of approximately 191 square feet. There are two of these Model Type Residences in the Community.

Model Type K

These Model Types are three-story Residences containing three bedroom, two bathrooms, living/dining areas, kitchen, media room, laundry area, storage, lanai, a one-car garage and other improvements as shown on the Condominium Map. These Model Types contain a net living area of approximately 1,500 square feet, and a garage area of approximately 191 square feet. There are two of these Model Type Residences in the Community.

ORIGINAL APPLIANCES, FIXTURES AND ADDITIONS:

In its original condition, each residence will have carpeting (except in the kitchen, the bathroom(s) and other areas having continued exposure to water, which shall have sheet vinyl flooring), range with oven and hood, refrigerator/freezer, washer/dryer, water heater and garbage disposal.

LOCATION AND NUMBERING OF APARTMENTS:

Each Residence shall be designated by a number, indicating "Building Number", followed by numbers ("1", "2", "3", "4", "5" and "6"), designating the Building number. The Residence number will follow the Building number (e.g., 1-1, 1-2, 1-3, etc.). The Residence numbers and locations are more fully illustrated on the Condominium Map.

ACCESS TO COMMON ELEMENTS:

Each residence in the Community has immediate access to the common elements of the Community or to a walkway or stairway leading to the common elements of the Community.

END OF EXHIBIT "B-1"

EXHIBIT "B-2"

DESCRIPTION OF COMMON ELEMENTS

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

1. The Land and those improvements to the Land, excluding the Residences and Private Yard Areas, but including without limitation the Common Access Road, the entry road, the Landscape Easement, exterior lighting fixtures located along and/or adjacent to the Community Access Road, the common area landscaping and similar improvements.
2. All structural components, such as foundations, girders, columns, beams, floor slabs, supports, main walls, load-bearing walls, floors, ceilings (except the inner or decorated surfaces of such walls, floors and ceilings), roofs, exterior stairs and stairways, landings, railings, entrances and exits (other than the entry courts or entry areas included in the definition of a residence) of the buildings and/or Residences, doors, door frames, windows, window frames, and other building appurtenances; provided, however, that all rollers, locks, handles, tracks and appurtenant hardware associated with all windows, doors and exterior garage doors, if any, and all sliding screen doors and all glass and window screens shall be the responsibility of the Residence owners.
3. All yards, grounds, gardens, planters, plants, landscaping, refuse facilities, barbecue areas, designated children's play areas, and recreational facilities, if any.
4. 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.
5. All sidewalks, pathways, curbs, and parking areas (including, without limitation covered and uncovered off street parking stalls, but excluding the interior of garages) as labeled on the Condominium Map.
6. 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.
7. 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.
8. 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.

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

END OF EXHIBIT "B-2"

EXHIBIT "B-3"

DESCRIPTION OF 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 this 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 fenced yard area to the rear and sides of the Residence bearing the same number as the Private Yard Area. Private Yard Area does not include the land beneath the Residence bearing the same number as the Private Yard Area, the parking area directly fronting the garage of the Residence (where shown on the Condominium Map) or any landscaped area between the Residence and the boundary of the Community Access Road. A metes and bounds description of the Private Yard Areas will be recorded in connection with the Architect's As Built Certificate.

2. Group Mailbox and Trash Locations:

Each Residence is provided with a designated mailbox. Individual mailboxes will be located at group mailbox clusters located at the rear of each building, facing the Community Access Road. Group Trash Bins will be located at several locations along the Community Access Road.

3. 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.

4. Parking Stall Assignments:

Each Residence has either a one car or two car garage as a component of the Residence. The garage to be utilized by the Residence is identified on the Condominium Map with the same number as the Residence number.

Each Residence with a single car garage shall have appurtenant to it, as a limited common element, the exclusive right to use one (1) additional parking stall as designated in the following chart.

The Condominium Map identifies each stall by a parking stall number. Parking stalls may be "compact" and "standard" in size, but may not be labeled as such on the Condominium Map. A parking stall marked with an "HC", as shown on the Condominium Map, indicates a parking stall that is suited for use by persons with disabilities. The particular parking stalls that initially will be appurtenant to the particular Residence are as follows:

NANEA KAI PARKING STALL CHART

UNIT#	STALL #1	STALL # 2	UNIT #	STALL #1	STALL #2
1-1	181	1-1	4-1	121	4-1
1-2	182	1-2	4-2	C146	4-2
1-3	C184	1-3	4-3	C151	4-3
1-4	C185	1-4	4-4	4-4	4-4
1-5	C186	1-5	4-5	C150	4-5
1-6	C187	1-6	4-6	C149	4-6
1-7	196	1-7	4-7	C148	4-7
1-8	195	1-8	4-8	C122	4-8
1-9	194	1-9	4-9	4-9	4-9
1-10	C188	1-10	4-10	C123	4-10
1-11	C189	1-11	4-11	C147	4-11
1-12	C190	1-12	4-12	C139	4-12
1-13	C191	1-13	4-13	C124	4-13
1-14	C192	1-14	4-14	4-14	4-14
2-1	2-1	2-1	4-15	C125	4-15
2-2	168	2-2	5-1	C153	5-1
2-3	169	2-3	5-2	C152	5-2
2-4	170	2-4	5-3	C110	5-3
2-5	171	2-5	5-4	5-4	5-4
2-6	2-6	2-6	5-5	C111	5-5
2-7	172	2-7	5-6	C112	5-6
2-8	173	2-8	5-7	C113	5-7
2-9	174	2-9	5-8	C114	5-8
2-10	C175	2-10	5-9	5-9	5-9
2-11	2-11	2-11	5-10	116	5-10
2-12	C176	2-12	5-11	117	5-11
2-13	C177	2-13	5-12	118	5-12
2-14	C178	2-14	5-13	119	5-13
2-15	179	2-15	5-14	5-14	5-14
3-1	C138	3-1	5-15	120	5-15
3-2	3-2	3-2	6-1	6-1	6-1
3-3	C137	3-3	6-2	C104	6-2
3-4	C136	3-4	6-3	C105	6-3
3-5	C135	3-5	6-4	C106	6-4
3-6	C134	3-6	6-5	C107	6-5
3-7	C133	3-7	6-6	6-6	6-6
3-8	C126	3-8	6-7	C108	6-7
3-9	C132	3-9	6-8	C167	6-8
3-10	C131	3-10	6-9	C166	6-9
3-11	127	3-11	6-10	C165	6-10
3-12	C129	3-12	6-11	6-11	6-11
3-13	C130	3-13	6-12	C164	6-12
			6-13	C163	6-13
			6-14	C155	6-14
			6-15	C154	6-15

Stalls bearing the same number as the Residence (e.g. "3-4") are enclosed garage stalls

GUEST PARKING STALLS

HC109	C141	C145	C159	180
HC115	C142	C156	C160	HC183
HC128	C143	C157	C161	HC193
C140	C144	C158	C162	

END OF EXHIBIT "B-3"

EXHIBIT "C"

COMMON INTERESTS FOR ENTIRE COMMUNITY

Model Type	Residence/(Unit) Number	Undivided Common Interest of Each Unit
A/A-R (4)	2-2, 2-14, 6-2, 6-14	0.0106600
B/B-R (4)	2-1, 2-15, 6-1, 6-15	0.0141900
C/C-R (12)	1-6, 2-3, 2-8, 2-13, 3-5, 4-6, 4-11, 5-6, 5-11, 6-3, 6-8, 6-13	0.0118800
D/D-R (22)	1-5, 1-7, 1-10, 2-4, 2-7, 2-9, 2-12, 3-4, 3-6, 3-9, 4-5, 4-7, 4-10, 4-12, 5-5, 5-7, 5-10, 5-12, 6-4, 6-7, 6-9, 6-12	0.0101400
D end Reverse (3)	3-1, 4-15, 5-15	0.0102100
E/E-R (22)	1-4, 1-8, 1-9, 2-5, 2-6, 2-10, 2-11, 3-3, 3-7, 3-8, 4-4, 4-8, 4-9, 4-13, 5-4, 5-8, 5-9, 5-13, 6-5, 6-6, 6-10, 6-11	0.0126400
E end Reverse (3)	3-2, 4-14, 5-14	0.0140400
F (3)	1-1, 4-1, 5-1	0.0085900
F-R (2)	1-14, 3-13	0.0089400
G (3)	1-2, 4-2, 5-2	0.0113700
G-R (2)	1-13, 3-12	0.0112700
H (3)	1-3, 4-3, 5-3	0.0122300
J (2)	1-11, 3-10	0.0120300
K (2)	1-12, 3-11	0.0115400

END OF EXHIBIT "C"

EXHIBIT "D"

LIMITED WARRANTY

A. DEFINED TERMS

Throughout this Limited Warranty various terms are used that have specific defined meanings, and are either italicized or appear with initial capitalization. For example, the terms Association and Community refer to the Association of Residence Owners formed to administer the condominium project, of which Homeowners will be members, and the condominium community, respectively. The term Common Elements has the same meaning and includes those items described in the Declaration of Condominium Property Regime. The term Homeowner refers to Residence Owners and to any subsequent owner of the Home (an Residence) during the warranty coverage period(s). Schuler Homes refers to D.R. Horton-Schuler Homes, LLC, a Delaware limited liability company, dba Schuler Homes. The term Parties refers to Schuler Homes and the Association.

B. LIMITED WARRANTY COVERAGE

Schuler Homes is providing a limited warranty (the "Warranty") for only those portions of Common Elements of the Community described in and identified in this Warranty, subject to the conditions specified herein and the faithful performance by the Association of those minimum inspection, maintenance and repair obligations described in Exhibit E to the Declaration (Description of Maintenance Responsibilities).

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 the Association or any Homeowner has installed or damaged. Further, this Warranty covers only those items for which the Association provides written notice within the warranty coverage period, in accordance with the procedures set out in this Warranty. Delay or an attempt to correct the problem without having it inspected and documented as provided in this Warranty may cause warranty coverage not to be available. Each Homeowner will also be provided a limited warranty for their Home, and due to the nature of condominium ownership, certain warranty claims by a Homeowner must necessarily include the Association's participation.

Schuler Homes warrants that the various items and components of the Common Elements described below 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 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 (the "HUD Warranty") if Homes in the Community as acquired using a HUD insured loan), all of which warranties are subsumed in this Warranty. The foregoing HUD Warranty and any warranty provided by Schuler Homes to a Homeowner within the Community are not cumulative in nature insofar as they relate to this Warranty, and do not provide duplicative coverages. For the periods indicated below, Schuler Homes provides the following warranties for the Common Elements:

1. Structural Integrity

Schuler Homes warrants that the buildings within the Community which house the Homes ("Building(s)") will be free from any defect resulting in or causing tangible damage to the roof, walls or foundation which materially diminishes the structural integrity and the load-bearing performance of a Home located within the building for a period of one (1) year beginning on the first Annual meeting of the Association membership (the "Commencement Date"). This Warranty also covers damage to the roof, walls or foundation of such building(s) 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 building. Other types of damage or defects to the Home not specifically mentioned in Section 1 of this Article, shall be covered by the warranties, if any, provided in Sections 2 and 3 of this Article.

2. Components

Schuler Homes warrants that the following "Components" of the Common Elements will be free from defects in material and workmanship for a period of one (1) year beginning on the Commencement Date. For the purposes of this Warranty, the term Components refers to the following:

Plumbing Systems and Components	Roof Installation	Electrical Systems and Components
Doors	Exterior Painting	Windows
Water Heaters (serving more than Home)	Carport Covers	Outdoor Fencing (If Included)
Concrete Fixtures	Sprinkler Systems	Garage Doors (If Included)
	Roofing Materials	Driveways/Sidewalks
		Asphalt Paving

If a Component is covered by a warranty from the manufacturer of such item (such as, without limitation, a sprinkler system, roofing materials, and portions of the electrical and plumbing systems, framing materials, or termite treatment), such Component is covered only by the manufacturer's warranty and is not warranted by Schuler Homes. The scheduled components are warranted only by the particular manufacturer.

If the Association finds defects in any of the Components covered by a manufacturer's warranty, it is the Association's obligation to follow the procedures in the applicable manufacturer's warranty and deal directly with that manufacturer.

3. Coverage Against Termite Infestation

Subject to the provisions of this Section, Schuler Homes is providing a limited warranty against infestation of individual Building's Common Elements by subterranean (ground) termites for a period of three (3) years from and after the Commencement Date (the "Coverage Period"). The warranty coverage afforded by this Section does not expand the coverage afforded to any specific Homeowner and provides no duplicative or cumulative coverage thereto. This Warranty does not provide coverage against infestation by or the risk of drywood termites, ground or wood infesting insects, molds or fungus.

Subject to the conditions herein, if there is infestation by subterranean (ground) termites during the first year of the Coverage Period (this 1 year period is described as the "Repair Period"), Schuler Homes will retreat the area affected only where the termites are found in accordance with applicable federal soil treatment standards. At no time during the Coverage

Period will the ground beneath the Buildings' foundations be retreated. Should such termite infestation occur during the Repair 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 in writing to Schuler Homes by the Association within thirty (30) calendar days following the Repair Period, regardless of the date of occurrence, is not covered by this limited warranty and its repair shall be the responsibility of the Homeowner. Schuler Homes shall not be responsible for any construction damage attributable to termite infestation.

Although the ground beneath each Building and the wooden structural and framing members of the Building 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. Unless an acceptable Prevention Program, defined below, is established by the Association, there is no Warranty Coverage 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 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.

For purposes of the coverage afforded by this Warranty, "construction damage" means and includes damages attributable to termite infestation resulting in or causing tangible damage to the roof, walls or foundation of the affected Building which materially diminishes the structural integrity and the load-bearing performance of the Building. The description "construction damage" shall not include damage to and no coverage is afforded by this limited warranty against termite infestation of any non-structural member or component of the Building, 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 Homeowners or the Association.

By way of limitation, Schuler Homes will have responsibility under this Warranty for termite infestation only if: (a) the infestation does not result in any way from damage caused by the Association, any Homeowner or any of their agents and (b) the infestation is not the result of improvements, modifications, alterations or additions (including the introduction of termite infested furniture) made by the Association or any Homeowner to a Home, the Building in which it is contained, or the landscaping on or the drainage pattern of the property on which the Home or Building is located. The coverage afforded under this Section of the Warranty will be void and no longer available to the Association if the Association (or any of 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 a Building, (ii) digging within two (2) feet of a Building, (iii) constructing any hardscape improvement (pavers, stepping stones, concrete and the like) that touch a Building, (iv) allowing soil to touch any wooden part of a Building, or (v) leaving wood, cardboard or other similar product on the ground near a Building.

5. Pest Control

Schuler Homes provides no warranty coverage relating to pest control (insects, rodents and the like) for the Common Elements. Pest control within and about the Community is the Association's sole responsibility and is not covered by this Warranty.

6. Mold

Schuler Homes provides no warranty coverage against mold or mold spores. Control of mold within and about the Community is the Association's sole responsibility and is not covered by this warranty.

C. MAKING A CLAIM

1. Claim Form - If the Association 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 Association discovers a particular defect. Claims should be made by completing the Warranty Claim Form (Warranty Service Request Form) provided in the Association's turnover 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:

Customer Service Department
P.O. Box 700789
Kapolei, Hawaii 96709-0789
Telephone: (808) 674-9770
Facsimile: (808) 674-0895

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 Association's manual. Other emergency procedures will be explained in your Association's manual.

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. If the claim is covered, Schuler Homes has the choice of repairing the defect, replacing the defective item or paying the Association the reasonable cost of repairing or replacing the defective item. The decision to replace or repair an item or to reimburse the Association 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 Common Elements. 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 Association for work done by the Association or for amounts paid by the Association 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 Association can reasonably demonstrate that Schuler Homes could not be contacted by the Association despite the Association's diligent efforts, Schuler Homes will reimburse the Association for the reasonable and actual costs of repairing or replacing the applicable defect.

(c) Time for Corrective Work - Generally, Schuler Homes will respond to 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 the Association. This thirty (30) day period may 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 Association (or its members) or the magnitude of the repair required.

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 the Association with a written notification describing why the Association's claim is not covered. If the Association is not satisfied by Schuler Homes' decision, the Association may take the steps described in Article E.

D. EXCLUSIONS

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

This Warranty does NOT cover any additions, improvements alteration or modifications made to a Home or Common Elements of the Community by a Homeowner or the Association and specifically excludes and does not cover the following:

1. Damage to the Common Elements 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 the Association 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 Common Elements 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 Common Elements or the use of the Home in a manner for which it is not intended.

4. Damage resulting from or made worse by the Association's or a 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 Common Elements 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 a Home.

6. Damage resulting from any changes after the close of escrow to the grading or drainage of the property within the Community.

7. Defects in or defects or damage caused by materials furnished or work done by or at the request of the Association or a 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 a Building's foundation slab and hairline cracks in stucco and masonry. Although certain 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. However, if any surface becomes unusable during the one (1) warranty period for Components due to abnormal settling or expansion, Schuler Homes will repair or replace the 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 and may be mitigated with proper maintenance, including caulking. In addition, 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.

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.

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

The procedures described in this Warranty are the only methods by which the Association may demand that Schuler Homes correct alleged defects in the Common Elements

or affecting more than one Home in the Community. All disputes in any way related to the coverage of this Warranty (the "Dispute") shall be resolved according to the provisions of Section **S.2** of the Declaration, as herein expanded; 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 2 of this Article, without recourse to Arbitration permitted and/or required in Section S.2 of the Declaration.

2. Review of Termite Infestation Claims

Any termite infestation claim by a Homeowner that is not subject to resolution through Negotiation as required by Section **S.2** of the Declaration may not be made subject to Arbitration pursuant to Section **S.2** of the Declaration. Rather, any Dispute concerning such a claim, shall be referred to a recognized entomologist, agreeable to 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 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 Association is determined to be valid or (ii) the Association if the claim is determined to be invalid.

3. Statute of Limitations

A demand for Arbitration must be filed within the time periods prescribed by the applicable statute(s) of limitations. The notice of dispute described in Section **S.2** of the Declaration shall not stop the running of any statute of limitations.

END OF EXHIBIT "D"

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

Estimate of Initial Maintenance Fees:	Monthly Fee	Yearly Total
Apartment		
Residence A/A-R	\$396.98	\$4,763.74
Residence B/B-R	\$528.44	\$6,341.23
Residence C/C-R	\$442.41	\$5,308.93
Residence D/D-R	\$377.61	\$4,531.36
Residence D	\$380.22	\$4,562.64
Residence D	\$380.22	\$4,562.64
Residence D	\$380.22	\$4,562.64
Residence E/E-R	\$470.71	\$5,648.56

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

Estimate of Initial Maintenance Fees:	Monthly Fee	Yearly Total
Residence E/E-R	\$470.71	\$5,648.56
Residence E	\$522.85	\$6,274.20
Residence E	\$522.85	\$6,274.20
Residence E	\$522.85	\$6,274.20
Residence F	\$319.89	\$3,838.70
Residence F	\$319.89	\$3,838.70
Residence F	\$319.89	\$3,838.70
Residence FR	\$332.93	\$3,995.11
Residence FR	\$332.93	\$3,995.11
Residence G	\$423.42	\$5,081.03
Residence G	\$423.42	\$5,081.03
Residence G	\$423.42	\$5,081.03
Residence G-R	\$419.69	\$5,036.34
Residence G-R	\$419.69	\$5,036.34
Residence H	\$455.45	\$5,465.34
Residence H	\$455.45	\$5,465.34
Residence H	\$455.45	\$5,465.34
Residence J	\$448.00	\$5,375.97
Residence J	\$448.00	\$5,375.97
Residence K	\$429.75	\$5,157.00
Residence K	\$429.75	\$5,157.00
TOTALS	\$37,240.00	\$446,880.00

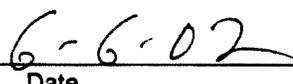
The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency

Estimate of Maintenance Fee Disbursements

Nanea Kai at Hawaii Kai

	Monthly Fee	Yearly Total
Utilities and Services		
Electricity		
<input checked="" type="checkbox"/> common elements only	\$215.00	\$2,580.00
<input type="checkbox"/> common elements and apartments		
Water	\$1,720.00	\$20,640.00
Sewer	\$0.00	\$0.00
Maintenance, Repairs and Supplies		
Grounds Maintenance/Janitorial	\$1,000.00	\$12,000.00
Pest Control	\$258.00	\$3,096.00
Fire System and Equipment	\$10.00	\$120.00
Supplies/Misc Repairs	\$300.00	\$3,600.00
Trash Collection	\$650.00	\$7,800.00
Management		
Management Fee	\$675.00	\$8,100.00
Design Review Services	\$150.00	\$1,800.00
Misc/Office/Education Expenses	\$100.00	\$1,200.00
Insurance		
Property	\$11,352.00	\$136,224.00
Director & Officer	\$100.00	\$1,200.00
Bond	\$30.00	\$360.00
Taxes and Government Assessments	\$15.00	\$180.00
Professional Services/Legal/Other	\$50.00	\$600.00
Audit and Tax Preparation	\$50.00	\$600.00
Common Entry Roadway	\$430.00	\$5,160.00
Reserves	\$1,505.00	\$18,060.00
TOTAL	\$18,610.00	\$223,320.00

I, Emory Bush, as agent for/and/or employed by Hawaiiana Management Company, the condominium managing agent/developer for the Nanea Kai (Incr 1-3) at Hawaii Kai Condominium project, hereby certify that the above estimates of initial maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

 Signature Date

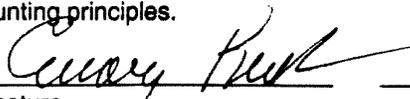
Pursuant to 514A-83.6, Hawaii Revised Statutes, a new association created after January 1, 1993 need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting. The Developer has not conducted a reserve study for the Project. The budget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

The Association of Residence Onwers of Naea Kai is a member of the Maintenance Association which governs the entrance road and drain system. When this budget was prepared, Nanea Kai's proportial share of the common expense of this Maintenance Association was undetermined. An estimated amount of \$10 per unit per month has been allocated, which is subject to change as additional information becomes available.

Estimate of Maintenance Fee Disbursements Nanea Kai at Hawaii Kai

	Monthly Fee	Yearly Total
Utilities and Services		
Electricity		
<input checked="" type="checkbox"/> common elements only	\$435.00	\$5,220.00
<input type="checkbox"/> common elements and apartments		
Water	\$3,240.00	\$38,880.00
Sewer	\$0.00	\$0.00
Maintenance, Repairs and Supplies		
Grounds Maintenance/Janitorial	\$2,000.00	\$24,000.00
Pest Control	\$522.00	\$6,264.00
Fire System and Equipment	\$20.00	\$240.00
Supplies/Misc Repairs	\$600.00	\$7,200.00
Trash Collection	\$1,300.00	\$15,600.00
Management		
Management Fee	\$1,250.00	\$15,000.00
Design Review Services	\$300.00	\$3,600.00
Misc/Office/Education Expenses	\$200.00	\$2,400.00
Insurance		
Property	\$22,968.00	\$275,616.00
Director & Officer	\$200.00	\$2,400.00
Bond	\$60.00	\$720.00
Taxes and Government Assessments	\$30.00	\$360.00
Professional Services/Legal/Other	\$100.00	\$1,200.00
Audit and Tax Preparation	\$100.00	\$1,200.00
Common Entry Roadway	\$870.00	\$10,440.00
Reserves	\$3,045.00	\$36,540.00
TOTAL	\$37,240.00	\$446,880.00

I, Emory Bush, as agent for/and/or employed by Hawaiiana Management Company, the condominium managing agent/developer for the Nanea Kai at Hawaii Kai 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.


6-6-02

Signature
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.

The Association of Residence Owners of Nanea Kai is a member of the Maintenance Association which governs the entrance road and drain system. When this budget was prepared, Nanea Kai's proportional share of the common expense of this Maintenance Association was undetermined. An estimated amount of \$10 per unit per month has been allocated, which is subject to change as additional information becomes available.

EXHIBIT "F"

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 "D" 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 "F"

EXHIBIT "G"

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.

END OF EXHIBIT "G"

EXHIBIT "H"

**NANEA KAI
RESIDENCE SELECTION FORM AND
NOTICE OF CHRONOLOGICAL RESERVATION SYSTEM
AND RECEIPT OF OWNER-OCCUPANT AFFIDAVIT FORM
Residence Selection Form**

Residence No. Selected _____
Square Footage _____
Reservation List Number: _____

Model Type _____
Projected Price _____

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: _____

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. _____

NANEA KAI
Notice and Receipt

This is a Notice given by D.R. HORTON-SCHULER HOMES, LLC, a Delaware limited liability company, dba, SCHULER HOMES (the "Developer") in regard to a proposed fee simple townhome community to be known as "NANEA KAI" (the "Community"), which the Developer has made preliminary plans to develop at Maunaloa, City and County of Honolulu, Hawaii, TMK No. (Oahu) 3-9-008-63. The purpose of this Notice is to inform prospective purchasers of fee simple townhomes in the Community and of the chronological reservations system that has been established for selecting prospective purchasers who will be offered the opportunity to enter into sales contracts for such residences, if the Developer elects to proceed with present plans to construct and market the Community.

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 townhome 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 _____.

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 as "fee simple townhome family residences" for sale to prospective owner-occupants: ("designated residences") pursuant to section 514A-103, HRS.

5. The undersigned understands that the Developer's Real Estate Broker is compiling a "Reservation List" of prospective owner-occupants **in the chronological order in which each has submitted both a completed Owner-Occupant Affidavit and an earnest money deposit in the amount of \$_____.** After the issuance by the Real Estate Commission of an effective date for the first Public Report on the Community, each of the prospective owner-occupants on the final Reservation 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 Reservation 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

**NANEA KAI
AFFIDAVIT OF INTENT TO PURCHASE AND RESIDE IN AN OWNER-OCCUPANT
DESIGNATED FEE SIMPLE TOWNHOME 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 townhome residence designated for an "owner-occupant" in NANEA KAI townhome residence ("Community") proposed by D.R. Horton-Schuler Homes, LLC, a Delaware limited liability company, dba Schuler Homes ("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 townhome 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 either the chronological system or 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

