

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer KVR Incorporated
Address 230 Makee Road, Honolulu, Hawaii 96815

Project Name(*): DIAMOND HEAD VIEW HOTEL
Address: 230 Makee Road, Honolulu, Hawaii 96815

Registration No. 5164 (Conversion) Effective date: August 14, 2003
Expiration date: September 14, 2004

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

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

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

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

Type of Report:

- PRELIMINARY:**
(yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.
 - FINAL:**
(white) The developer has legally created a condominium and has filed complete information with the Commission.
 No prior reports have been issued.
 This report supersedes all prior public reports.
 This report must be read together with _____
 - SUPPLEMENTARY:**
(pink) This report updates information contained in the:
 Preliminary Public Report dated: _____
 Final Public Report dated: _____
 Supplementary Public Report dated: _____
- And Supersedes all prior public reports.
 Must be read together with _____
 This report reactivates the _____
public report(s) which expired on _____

(*) Exactly as named in the Declaration
This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2644 to submit your request.
FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203
G:\CPRI\CLIENT\KVR Makee\Final Public Report Final Draft.wpd

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report
as Exhibit "H"

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

The Developer has disclosed the following:

- (a) **No warranties are given to the purchaser as to the construction, materials or workmanship of the Project. The Project is being sold in "as is" condition (pages 12 and 15).**
- (b) **The Sales Contract provides that the purchaser will not have the right to sue the declarant for damages if there are any defects in the Project (see page 20).**
- (d) **The building containing the condominium apartments is considered a non-conforming structure because the yard setbacks do not comply with present zoning.**
- (e) **The use of the property for transient rentals is pursuant to a hotel license, which is considered non-conforming use.**
- (f) **The Project contains a number of Non-Conformities (see Page 20A).**

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

THE PROSPECTIVE PURCHASERS ARE CAUTIONED TO CAREFULLY REVIEW ALL DOCUMENTS REGARDING THIS CONDOMINIUM PROJECT 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: KVR Incorporated Phone: (808) 922-7828
Name* (Business)
230 Makee Road
Business Address
Honolulu, HI 96815

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):

Simon Bebb: President/Vice President/Secretary/Treasurer and Director

Real Estate Broker*: Fusako Grant, Inc. Phone: (808) 596-8072
Name (Business)
615 Piikoi Street, #PH4
Business Address
Honolulu, Hawaii 96814

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

General Contractor*: N/A Phone: _____
Name (Business)
Business Address

Condominium Managing Agent*: Commercial Realty Corp. Phone: (808) 922-7828
Name (Business)
230 Makee Road
Business Address
Honolulu, HI 96815

Attorney for Developer: Jeffrey S. Grad, Esq. Phone: (808) 521-4757
Name (Business)
841 Bishop St., Ste. 1800
Business Address
Honolulu, HI 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:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded -	Bureau of Conveyances:	Document No. <u>2003-120383</u>	
		Book _____	Page _____
<input type="checkbox"/> 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:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded -	Bureau of Conveyances	Condo Map No. <u>3600</u>	
<input type="checkbox"/> 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:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded -	Bureau of Conveyances:	Document No. <u>2003-120384</u>	
		Book _____	Page _____
<input type="checkbox"/> 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>n/a</u>

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

2. **Developer:**

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

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

See attached Exhibit "A"

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

For Sub-leaseholds:

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

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

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessor (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: 230 Makee Road
Honolulu, Hawaii 96815

Tax Map Key (TMK): (1) 2-6-028-020

Address TMK is expected to change because _____

Land Area: 3,201 square feet acre(s) Zoning: Waikiki Special District
Apartment Precinct

Fee Owner: KVR Incorporated
 Name*
230 Makee Road
 Business Address
Honolulu, HI 96815

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: 1 Floors Per Building 7
 Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other lumber, steel, aluminum, glass and allied building materials

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>11</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Commercial *	<u>1</u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Hotel **	_____	<input type="checkbox"/> Yes	<input checked="" 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-garage	_____	<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

* Allowed under variance

** Nonconforming use permitted under prior legal hotel license

5. Special Use Restrictions:

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

- Pets: _____
 Number of Occupants: _____
 Other: _____
 There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: -1- Stairways: -1- Trash Chutes: -0-

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
<u>A</u>	<u>5</u>	<u>0/1</u>	<u>287</u>	<u>70</u>	<u>lanai</u>
<u>B</u>	<u>5</u>	<u>0/1</u>	<u>309</u>	<u>71</u>	<u>lanai</u>
<u>Penthouse</u>	<u>1</u>	<u>1/1</u>	<u>622</u>	<u>155</u>	<u>lanai</u>
<u>Commercial</u>	<u>1</u>	<u>0/0</u>	<u>206</u>	<u>134/150</u>	<u>lanai/courtyard</u>

Total Number of Apartments: 12

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

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

Boundaries of Each Apartment:

The outside surfaces of the exterior walls and roof and the bottom surfaces of the footings and foundations of each Apartment.

Permitted Alterations to Apartments:

See attached Exhibit "B"

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. Developer has elected to provide the information in a published announcement or advertisement.

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>	_____
Structures	_____	<u> X </u>	_____
Lot	_____	<u> X </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. (See additional discussion at Page 20(a), items 2 and 3, and Exhibit "I" of this Report.

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

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

described in Exhibit C .

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit D.

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 _____.

as follows:

Unit 2A - .0743%	Unit 5A - .0743%
Unit 2B - .0791%	Unit 5B - .0791%
Unit 3A - .0743%	Unit 6A - .0743%
Unit 3B - .0791%	Unit 6B - .0791%
Unit 4A - .0743%	Penthouse - .1618%
Unit 4B - .0791%	Commercial - .0712%

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

Exhibit E describes the encumbrances against the title contained in the title report dated June 26, 2003 and issued by Island Title Corporation.

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.

[x] 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>
Mortgages	Buyer's interest may be terminated by mortgagee but Buyer shall be entitled to return of his deposit, less escrow cancellation fee.

(See page 20 for further discussion)

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:

Developer is giving no warranties to Purchaser on the materials and workmanship of the Units. Developer is selling the Apartments together with the appliances and other personal property in "as is" condition.

2. Appliances:

Purchaser shall have the direct benefit of any manufacturer's or dealer's warranties covering the furnishings and appliances in the Apartments. Otherwise, no warranties will be given.

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

The Project was constructed in 1968.

H. **Project Phases:**

The developer [] has [X] has not reserved the right to add to, merge, or phase this condominium.

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

V. MISCELLANEOUS

A. **Sales Documents Filed With the Real Estate Commission:**

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

Notice to Owner Occupants

Specimen Sales Contract

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

Escrow Agreement dated May 28, 2003

Exhibit G contains a summary of the pertinent provisions of the escrow agreement.

Other _____

B. **Buyer's Right to Cancel Sales Contract:**

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

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

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

Final Report 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 or through the developer's sales agent, if any. 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. 5164 filed with the Real Estate Commission on July 28, 2003.

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C. Additional Information Not Covered Above

LEAD WARNING STATEMENT

Pursuant to federal law, 42, U.S.C 4852(d), the Residential Lead-Based Paint Reduction Act, "Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase."

HAZARDOUS MATERIALS

The Developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Buyer acknowledges that in light of the age of the Project, there may be asbestos and other hazardous substances in the apartments, or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment inspected to determine the extent (if any) of such contamination and any necessary remedial action. The developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the developer from any liability to Buyer if any hazardous materials are discovered.

Purchasers should be aware that the Project is subject to several blanket mortgages and liens (see Exhibit E). The sale of any Unit is subject to the satisfaction of the liens (and removal thereof) or the partial release of the liens so that the Unit can be conveyed free and clear of the liens. If such has not occurred within 90 days of entering into a sales contract, either party may elect to terminate the contract.

SPECIAL NOTATION

1. The specimen Sales Contract provides that the Purchaser understands that the Apartments and the Project are being sold in "as is" condition. The existence of any defect in the Apartments or anything installed thereon shall not excuse the Purchaser's obligation to perform all of his obligations under his sales contract.

The Specimen Sales Contract further states that the Purchasers will not have any right to file any lawsuit for damages against the Seller for any defects in the Apartments or in the Project.

The specimen Apartment Deed provides that the Developer disclaims any promises or representations or other statements to the condition of the Apartments or of the Project, or of any improvements, on, in or under the Apartments or in the Project. By way of illustration (but not limitation), Developer makes no promises or representations about:

- (i) The construction, structural soundness, condition or state of repair, operating order, safety or livability of any improvements in or within the Project;
- (ii) The suitability of any improvements for any particular use;
- (iii) The density, stability, structure, erosion or other condition of the Project's soil for building or any other use;
- (iv) Whether any improvements on or under the Project encroach over the boundary lines of any land which shares a boundary with the Project;

- (v) Whether any improvements on or under land which shares a boundary with the Project encroach over the boundary lines of the Project;
- (vi) Any matter concerning the electrical, water, gas, plumbing or sewer systems (if any);
- (vii) The accuracy of any staking or survey done by any person; and
- (viii) The accuracy of area of the land on which the Project is located.

2. NON-CONFORMITIES.

When the Project was developed, it was located within an area then permitting hotel use. The Land Use Ordinance of the City and County of Honolulu ("LUO") has been amended from time to time since the Project was constructed, so that the Project may no longer conform with present requirements of the LUO.

Developer believes the Project met the applicable requirements of zoning and land use laws effective when it was built. However, under the current LUO, the Project does not meet current requirements under the LUO in the following ways: (i) the use of apartments as lodging units, transient rentals or in the operation of a hotel (such as the Project) are not permitted; (ii) the floor area within the Project exceeds that which is now permitted; (iii) a portion of the rear wall behind the building in which the Project is located encroaches into the required setback of the land, which makes the building a "nonconforming" structure; (iv) the existing four parking stalls are fewer than the number of parking stalls that would be required under the LUO; and (v) the area of the land on which the Project is located is less than the minimum lot size now required under the LUO. (The foregoing are referred to as "Nonconformities").

LUO provides generally that Nonconformities can be continued, subject to certain conditions. By way of illustration and not limitation, nonconforming structures which are accidentally destroyed can be rebuilt if they are rebuilt within two years. However, if a nonconforming use is discontinued for a period of 12 consecutive months or for 18 months during any three years period, then such nonconforming use may not be continued.

- 3. Letter from Building Department of City and County of Honolulu (Exhibit "I" attached). Exhibit "I" shows that there are two (2) violations with respect to the Project (24 hour front desk, and real estate office on top floor). Developer is abandoning the hotel license and the Project will no longer be used as a hotel. Furthermore, within the next sixty (60) days, Developer will not be using the top floor apartment (Penthouse) as a real estate office.
- 4. Developer-Real Estate Licensee Disclosure
Pursuant to sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that Simon Bebb (RB-8013), president, vice president, secretary, treasurer and director of Developer/Owner KVR Incorporated, is a current and active Hawaii-licensed real estate broker and principal broker, president, vice president, secretary and treasurer of Commercial Realty Corp., the project's real estate broker and initial managing agent.
- 5. Withholding of Units from Sale. As indicated in the Listing Agreements, it is the Developer's intention to withhold from sale, at the present time, units on the second and fifth floors, the penthouse and commercial units. Only the six units on the third through fifth floors will initially be for sale.

- (v) The density, stability, structure, erosion or other condition of the Project's soil for building or any other use;
- (vi) Whether any improvements on or under the Project encroach over the boundary lines of any land which shares a boundary with the Project;
- (vii) Whether any improvements on or under land which shares a boundary with the Project encroach over the boundary lines of the Project;
- (viii) Any matter concerning the electrical, water, gas, plumbing or sewer systems (if any);
- (ix) The accuracy of any staking or survey done by any person; and
- (x) The accuracy of area of the land on which the Project is located.

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EXHIBIT "A"

DEVELOPER'S RESERVED RIGHTS

The Developer (Declarant) has reserved the following rights to change the Declaration, Condominium Map, By-Laws or House Rules:

1. Paragraph 23 of the Declaration states:

"Except as otherwise provided herein or in the Act, this Declaration may be amended by the affirmative vote or written consent of the owners of apartments to which are appurtenant at least seventy-five percent (75%) of the common interests. Any amendment shall be effective only upon the recording in the Recording Offices of an instrument setting forth such amendment and vote, duly executed by the proper officers of the Association. Notwithstanding the foregoing, at any time prior to the filing or recording in the Recording Offices of the first apartment deed or other conveyance conveying an apartment and its appurtenances or any interest therein to a party not a signatory to this Declaration and other than to any mortgagee of the Declarant, the Declarant hereby reserves the right to amend this Declaration, the By-Laws and the Condominium Map in any manner, without the approval, consent or joinder of any purchaser of an apartment or any interest therein.

Notwithstanding the foregoing and until the filing or recording in the Recording Offices of apartment deeds or other conveyances conveying all of the apartments in the Project to parties not a signatory to this Declaration and other than to any mortgagee of the Declarant, the Declarant hereby reserves the right to amend this Declaration, the By-Laws and the Condominium Map, without the approval, consent or joinder of any owner, mortgagee or purchaser of an apartment or any interest therein, to make such amendments as may be required by law, by the Real Estate Commission of the State of Hawaii, by any title insurance company issuing a title insurance policy on the Project or any of the apartments or any interest therein or by any governmental agency of any state, territory, possession or foreign country or other foreign jurisdiction as a condition precedent to the marketing or sale of apartments or any interests therein in any such jurisdiction; provided, however, that no such amendment which would change the common interest appurtenant to an apartment or substantially change the design, location or size of an apartment or the building in which it is located shall be made without the consent to such amendment by all persons having an interest in such apartment.

Notwithstanding the foregoing and notwithstanding the recording of any or all apartment deeds or other conveyances conveying any or all of the apartments or any or all interests therein to any person, the Declarant hereby reserves the right to successively amend this Declaration (including the By-Laws and, when applicable, the Condominium Map), without the approval, consent or joinder of any owner, mortgagee or purchaser of an apartment or any interest therein or any of the persons then owning, leasing, renting, or occupying any apartment or any interest therein, to file the "as-built" verified statement (with plans, if applicable) required by Section 514A-12 of the Act, (i) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans theretofore filed or being filed simultaneously with such amendment fully and accurately depict the layout, location, apartment numbers and dimensions of the apartments as built, or (ii) so long as any plans filed therewith involve only immaterial changes to the layout, location, apartment numbers or dimensions of or other changes to the apartments or common elements as built which the Declarant is permitted to make in accordance with paragraph (b) of Section 21 of this Declaration."

EXHIBIT "B"

PERMITTED ALTERATIONS TO APARTMENTS.

1. Paragraph 21 of the Declaration states:

"Except as otherwise provided in this Declaration, replacement or restoration of the Project or of any building, swimming pool or other facility or construction of any additional building or any material structural alteration or material addition to any structure, shall be undertaken by the Association or any apartment owners only pursuant to an amendment of this Declaration, pursuant to the affirmative vote or written consent of seventy-five percent (75%) of the apartment owners and in accordance with complete plans and specifications, and promptly upon completion of such replacement, restoration or construction, the Association shall record such amendment, together with a complete set of floor plans of the Project as so altered, certified as built by a registered architect or professional engineer; PROVIDED, HOWEVER, that notwithstanding any other provision in this Declaration to the contrary, the owner of any apartment may make any alterations or additions within any apartment and the owner of any two or more apartments separated by a common element which is a wall may alter or remove all or portions of the intervening wall, if the structural integrity of the building is not thereby affected and if the finish of the common element then remaining is then restored to a condition substantially comparable to that of the common element prior to such alterations. Such alterations or additions within any apartment or apartments shall require only the written approval thereof, including the apartment owner's plans therefor, by the holders of first mortgage liens affecting such apartments (if the lien holders require such approval), by the appropriate agencies of the State of Hawaii and the County of Hawaii if such agencies so require, by the Board of Directors (which approval shall not be unreasonably or arbitrarily withheld or delayed), and by all other apartment owners thereby directly affected (as determined in a reasonable manner by the Board of Directors), and such alterations or additions may be undertaken without an amendment to this Declaration or filing of a complete set of floor plans of the Project as so altered. Prior to the termination of the common ownership of any such adjacent apartments, if the intervening wall shall have been altered or removed pursuant to the foregoing provisions and any entry to hallways sealed, the owner of such apartments shall be obligated to restore such intervening wall and hallway entries to substantially the same condition in which the same existed prior to such alteration or removal. For the purpose of this paragraph, the materiality of any such modification shall be determined pursuant to and in accordance with the criteria for determining materiality as set forth in Section 514A-89 of the Condominium Property Act, as amended from time to time.

Notwithstanding any other provision in this Declaration or the By-Laws to the contrary, prior to: (i) the time that all apartments in the Project have been sold pursuant to an instrument filed in the Recording Offices, and (ii) the filing by the Declarant of the as-built verified statement (with plans, if applicable) required by Section 514A-12 of the Condominium Property Act (but in no event later than January 1, 2005), the Declarant shall have the right to make alterations in the Project (and to amend this Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, which alterations: (i) change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and any limited common elements appurtenant thereto) in the Project which is not sold pursuant to an instrument filed in the Recording Offices; or (ii) make minor changes in any apartment or in the common elements which do not affect the physical location, design or size of any apartment which has been sold pursuant to an instrument filed in the Recording Offices; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in paragraph (c) of Section 23 of this Declaration. As used herein, "sold pursuant to an instrument filed in the Recording Offices" shall mean and refer to the sale of apartments in the Project, and recording in the Recording Offices, of apartment deeds or other conveyances transferring interests in the apartments from the Declarant to parties not signatory to this Declaration."

EXHIBIT "C"

COMMON ELEMENTS. Paragraph 6 of the Declaration designates certain portions of the Project as "common elements", including specifically but not limited to:

- (1) The Land in fee simple;
- (2) The foundations, columns, girders, beams, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, roofs, exterior skylights, stairways, walkways, corridors, ramps, fences (if any), trellises, store rooms (which are not within any apartment or made specifically appurtenant to such apartment) and mail boxes, mechanical rooms, entrances, entry ways and exits of all buildings of the Project;
- (3) All yards, grounds, planting areas, planters, walkways, walkway railings, landscaping, refuse facilities, gardens, and all other facilities and appurtenances;
- (4) All roads, driveways, driveway ramps and parking areas;
- (5) All ducts, vents, shafts, sewer lines, sewage treatment equipment and facilities (if any), elevator, electrical equipment, telephone equipment (if a telephone switchboard and related facilities is provided), pipes, wiring and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one apartment for services such as power, light, water, gas (if any), cablevision (if any), central air conditioning system, sewer, refuse, telephone, and radio and television signal distribution;
- (6) Any and all apparatus and installations existing for common use, such as tanks, pumps, motors, fans, compressors and, in general, all other installations and apparatus existing for common use;
- (7) All mechanical and electrical equipment originally installed and located within any apartment or located elsewhere in the Project utilized for or serving more than one apartment;
- (8) The laundry area, the storage area, transformer room and lobby on the ground floor, as shown on the Condominium Map;
- (9) Any and all other apparatus and installation of common use and all other parts of the Project necessary or convenient to its existence, maintenance or safety, or normally in common use.

EXHIBIT "D"

LIMITED COMMON ELEMENTS. Paragraph 7 of the Declaration designates:

(1) Certain parts of the common elements, herein called and designated limited common elements, are hereby set aside and reserved for the exclusive use of certain apartments and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside and reserved are as follows:

(2) Any entrance, exit, gateway, entry, patio, yard, driveway or steps which would normally be used only for the purposes of ingress to and egress from a specific apartment shall be a limited common element appurtenant to and reserved for the exclusive use of such apartment.

(3) Each of the four (4) assigned parking stalls designated on the Condominium Map by a number shall be a limited common element appurtenant to and reserved for the exclusive use of the Apartment designated on Exhibit "B" attached hereto.

(4) Each Apartment shall have for its exclusive use one mailbox, which mailbox is identified by the same number as the Apartment to which it is appurtenant.

(5) Commercial Apartment 1 shall have for its exclusive use the adjoining courtyard and toilet, as shown on the Condominium Map.

EXHIBIT "E"

ENCUMBRANCES AGAINST TITLE

1. For Real Property Taxes that may be due and owing, reference is made to the Office of the Tax Assessor, City and County of Honolulu.
2. The reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Mortgage dated April 13, 1994, in favor of FIRST HAWAIIAN BANK, a Hawaii corporation, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 94-066153, as amended by instrument dated July 25, 1995, recorded as Document No. 95-098591. Said Mortgage, as amended, was assigned to Sunset Management, LLC, a Nevada limited liability company, by instrument dated January 31, 2002, recorded as Document No. 2002-020473.
4. Financing Statement recorded April 15, 1994, as Document No. 94-066156, continued as per document recorded February 17, 1999, as Document No. 99-023555. Said Financing Statement was assigned by instrument dated February 6, 2002, recorded as Document No. 2002-020473.
5. Existing improvement(s) along the various boundaries of Tax Key Parcel 2-6-28-20, disclosed by the surveyor's map and/or report dated February 18, 1994, prepared by Walter P. Thompson, are as follows:
 - a. Tile wall crosses onto Tax Map Key 2-6-28: 76 at west corner.
 - b. Concrete slab crosses onto Tax Map Key: 2-6-28: 76 along the northerly boundary.
6. Financing Statement recorded August 30, 1996, as Document No. 96-125983, which was assigned by instrument recorded on January 3, 1997, as Document No. 97-000872.
7. Financing Statement recorded November 9, 1999, as Document No. 99-179237, which was amended by instrument recorded on July 11, 2000, as Document No. 2000-095053.
8. Financing Statement recorded November 16, 2000, as Document No. 2000-160689.
9. Mortgage dated October 1, 2001, in favor of Sunset Management, LLC, a Nevada limited liability company, recorded as Document No. 2001-154875. Consent thereto dated September 27, 2001, recorded as Document No. 2001-154879. Said Mortgage was made subordinate by instrument dated --, recorded as Document No. 2001-154878.
10. Assignment of Rents and Lessor's Interest in Leases dated October 1, 2001, recorded as Document No. 2001-154876.
11. Financing Statement recorded October 2, 2001, as Document No. 2001-154877.
12. Mortgage dated November 1, 2001, in favor of Sunset Management, LLC, a Nevada limited liability company, recorded as Document No. 2001-173257. Consent thereto dated October 29, 2001, recorded as Document No. 2001-173258.
13. Financing Statement recorded November 2, 2001, as Document No. 2001-173259.
14. Judgment filed February 13, 2003 in the Circuit Court of the First Circuit, Civil No. 00-1-3657-12, recorded in said Bureau as Document No. 2003-029547.
15. Declaration of Condominium Property Regime dated May 28, 2003, recorded in said Bureau as Document No. 2003-120383 (Project covered by Condominium Map No. 3600). By-Laws dated My 28, 2003, filed as Document No. 2033-120384.

EXHIBIT "F"

SUMMARY OF THE PROVISIONS OF THE SALES CONTRACT. The Sales Contract consists of two documents: the then current form of the HAR Standard form of Deposit Receipt Offer and Acceptance ("DROA") and a document attached to the DROA which is entitled "Special Provisions to the DROA")

1. Description of the Property to be Conveyed: Fee simple title to the Apartment, together with the furnishings and appliances, if any, described in the DROA and the undivided interest in the common elements set forth in the DROA..

2. Purchase Price and Terms. The purchase price for the Apartment is set forth on page 2 of the DROA is to be paid in the method and at the times set forth in the DROA. This may include payment of (a). An initial deposit; (b). An additional cash deposit, if set forth in the DROA ; and (c) the balance of the purchase price is to be paid to escrow by purchaser on or before closing.

3. Financing of Purchase. Paragraph C-24 of the DROA Form (if selected) provides if Buyer desires financing, a loan application must be made within a certain number of days and if Buyer's application is not approved within a certain number of days after the application, then either Seller or Buyer may cancel the Sales Contract. Upon such cancellation, Buyer's deposits will be refunded by escrow without interest.

4. Closing Costs. Closing costs and escrow fees are to be shared in accordance with the DROA, except that Seller does have the option to require two months' advance payment of Association maintenance fees and a start up expense for the Association of Apartment Owners equal to two months' of Association maintenance fees. Buyer's proportionate share of any liability insurance premium, real property taxes, maintenance fees and any other charges with respect to the Property shall be pro-rated between Seller and Buyer as of the date of closing.

5. Closing. Seller has agreed to cause the Apartment to be sold to the Buyer within the time period set forth on page 3 of the DROA which is expected to occur within 90 days of the date of the Sales Contract.

6. No Present Transfer and Subordination to Construction Loan.

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

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

(c) Notwithstanding that the Sales Contract may be subordinate to a blanket lien, if the Buyer performs his obligations under the Sales Contract, then Seller is required to convey the Apartment to Buyer at closing free and clear of any blanket lien.

7. Seller's Rights to Cancel Sales Contract. The Seller may cancel the Sales Contract with the Buyer if (a) Buyer fails to qualify for a permanent loan (if Paragraph C-24 of the DROA is selected); (b) Buyer defaults under the Sales Contract (paragraph 5(b) of the Special Provisions); or (c) Buyer dies prior to Closing Date (paragraph 5(a) of the Special Provisions). Pursuant to Paragraph 5(b) of the Special Provisions, if Buyer fails to close as required, then after ten (10) days following Seller's notice of Buyer's default, if Buyer has not cured his default under the Sales Contract, the Seller may cancel the Sales Contract and all sums previously paid by Buyer will belong absolutely to the Seller as liquidated damages. Additionally, Seller may pursue any other remedy, and all costs, including reasonable attorney's fees, incurred by reason of default by the Buyer shall be borne by the Buyer. Time is the essence of the Sales Agreement.

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

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

b. The Buyer may cancel his purchase if there is a material change in the Project which directly, substantially and adversely affects the use or value of the Buyer's Apartment or the amenities available for the Buyer's use (paragraph 7(a) of the Special Provisions).

c. Buyer fails to qualify for permanent financing if Paragraph C-24 of the DROA has been selected.

9. Paragraph 11 of the Special Provisions provides that the Buyer acknowledges that he or she has examined (and agrees to be bound) by the following:

- (a) The Condominium Map (including floor plans, exterior elevations and site map for the Project;)
- (b) Escrow Agreement;
- (c) The Declaration of Condominium Property Regime and the By-Laws of the Association of Apartment Owners;
- (d) Specimen form of the Apartment Deed;
- (e) Disclosure Abstract; and
- (e) The Final Public Report (or Supplementary Public Report, if any) an effective date having been issued by the Real Estate Commission of the State of Hawaii.

10. Paragraph 12 of the Special Provisions contains an "as is" clause whereby Seller disclaims all warranties relating to construction, design, materials or workmanship of the Apartment being bought and the Project. Buyer is cautioned to have his own inspection of the property and the Apartment. If construction of the Project was completed within one year of the date of the Sales Contract, then in accordance with subparagraph (a) the Seller may be giving a limited one year warranty as provided in such Subparagraph 12(a), which Buyer should review closely.

11. As part of the sale process, Seller has disclaimed any rental representations. Seller has not authorized any agents, salespersons or brokers to make any representations as to rental or other income from any apartment or any other economic benefit, including possible advantages from the ownership of an apartment under federal or state tax laws, to be derived from the purchase of an apartment in the project. The Buyer is required to acknowledge that no such representations or warranties have been made and that the Seller has expressly disclaimed and repudiated any representation from any source as to any possible economic benefit arising from ownership of an apartment in the Project.

12. Nonconformities under LUO. Paragraph 15 of the Special Provisions contains acknowledgements by the Buyer that the Project is subject to the Land Use Ordinance of the City and County of Honolulu ("LUO") and that the Project is located within an area designated under LUO as "Apartment Precinct". It further sets forth that the Project contains legally nonconforming uses, structures and parking and that LUO provides generally that nonconforming lots, structures, uses and parking can be continued, subject to certain conditions. Among other things, the Buyer is being asked to acknowledge the foregoing non-conformities, is willing to accept title to the Apartment, and Buyer expressly releases Seller from any liability to Buyer arising from the Project's nonconforming use and structure.

The Summary contained in this Exhibit is merely a summary and is not intended to be a substitute for the Buyer's careful review of the Sales Contract.

EXHIBIT "G"

SUMMARY OF THE MATERIAL PROVISIONS OF THE ESCROW AGREEMENT

Summary of the Condominium Escrow Agreement between the Developer and Title Guaranty Escrow Services, Inc..

1. All deposits will be paid to Escrow. A copy of each Sales Contract and all payments made to purchase an Apartment shall be turned over to the Escrow Agent.

2. Refunds. A Buyer shall be entitled to a return of his funds, and Escrow shall pay such funds to such Buyer, without interest, in accordance with the Sales Contract if any of the following has occurred:

(a) Developer and the purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held hereunder by Escrow; or

(b) Developer shall have notified Escrow of Developer's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer; or

(c) With respect to a purchaser whose funds were obtained prior to the issuance of the Final Report, the purchaser has exercised his right to cancel the contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or

(d) A purchaser has exercised his right to rescind the contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.

Upon such refund, Escrow Agent shall be entitled to a reasonable fee not less than \$25 or a fee commensurate with the work done by Escrow prior to cancellation.

3. Requirements Prior to Disbursement of Buyer's Funds. Escrow Agent shall make no disbursements of Buyer's funds, pursuant to paragraph 5 of the Escrow Agreement until all of the following have occurred:

(a) the Real Estate Commission has issued a final public report (the "Final Report") on the Project;

(b) Seller or Seller's attorney has given a written opinion to Escrow stating that all of the requirements of Sections 514A-39, 514A-62 and 514A-63 of the Hawaii Revised Statutes, then applicable to the Project, have been satisfied and if the project is a conversion project, that the requirement of Section 514A-38 have been met.

(c) Seller shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract;

4. Purchaser's Default. Seller must notify Escrow in writing if Purchaser defaults, and must certify that Seller has cancelled the Purchaser's Sales Contract. After such cancellation Escrow will treat the Purchaser's funds less Escrow's cancellation fees as belonging to the Seller.

ESTIMATED OPERATING EXPENSES

For Period June 1, 2003 to May 31, 2004
As Prepared by Developer

	<u>Monthly x 12 months = Yearly Total</u>			
Utilities and Service				
Electricity				
(x) common elements only	\$500.00 x	12	=	\$6,000.00
Elevator	\$400.00 x	12	=	\$4,800.00
Sewer/Water	\$250.00 x	12	=	\$3,000.00
Gas	\$200.00 x	12	=	\$2,400.00
Insurance	\$550.00 x	12	=	\$6,600.00
Refuse Collection	\$100.00 x	12	=	\$1,200.00
Hot Tub Maintenance	\$ 75.00 x	12	=	\$ 900.00
Maintenance, Repairs and Supplies				
Supplies	\$200.00 x	12	=	\$2,400.00
Building	\$250.00 x	12	=	\$3,000.00
Grounds	\$250.00 x	12	=	\$3,000.00
Management				
Management Fee	\$500.00 x	12	=	\$6,000.00
Administrative (out-of-pocket)	\$100.00 x	12	=	\$1,200.00
Reserves	\$208.33 x	12	=	\$2,500.00
Taxes and Government Assessments	\$ 12.00 x	12	=	\$ 144.00
Accountant/Legal	\$100.00 x	12	=	\$1,200.00
Miscellaneous	\$ 80.00 x	12	=	\$ 960.00

TOTAL	\$ 3,775.33 x	12	=	\$ 45,304.00

ESTIMATE OF INITIAL MAINTENANCE FEES

<u>UNIT TYPE</u>	<u>Estimated Monthly Maintenance Fee</u>			
A - .0743%	\$280.50 x	5	=	\$1,402.50
B - .0791%	\$298.62 x	5	=	\$1,493.10
C - .1618%	\$610.84 x	1	=	\$ 610.84
Commercial .0712%	\$268.80 x	1	=	\$ 268.80

TOTAL MONTHLY FEES \$ 3,775.24

I, Simon Bebb, as agent and employed by Commercial Realty Corp, the condominium managing agent for the condominium project DIAMOND HEAD VIEW HOTEL, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



 Date: 5/19/03

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

850 SOUTH KING STREET • HONOLULU, HAWAII 96813
TELEPHONE: (808) 523-4414 • FAX: (808) 527-6743 • INTERNET: www.co.honolulu.hi.us

EXHIBIT "I"

JEREMY HARRIS
MAYOR



ERIC G. CRISPIN, AIA
DIRECTOR

BARBARA KIM STANTON
DEPUTY DIRECTOR

2003/ELOG-916 (RLK)

July 24, 2003

Mr. Jeffery S. Grad
Attorney at Law
A Law Corporation
Davies Pacific Center, Suite 1800
841 Bishop Street
Honolulu, Hawaii 96813

Dear Mr. Grad:

Subject: Condominium Conversion Project
230 Makee Road
Tax Map Key: 2-6-28: 20

This is in response to your letter dated March 10, 2003 requesting verification that the structures on the above-mentioned property met all applicable code requirements at the time of construction.

Investigation revealed that a seven-story 11-unit hotel with four all-weather surface off-street parking spaces met all applicable code requirements when it was constructed in 1968 on this 3,201-square foot Apartment Precinct zoned lot.

Research revealed that the hotel use and the number of off-street parking spaces are considered nonconforming use and parking. The building structure (setback) is also considered nonconforming.

Investigation also revealed the following violations:

- 1) The operation lacks the 24-hour clerk service and facilities for registration and keeping of records relating to hotel guests in the lobby required to continue the nonconforming hotel use. Since the 24-hour clerk service was suspended when you occupied the building in July 2002, this service must be restored before July 31, 2003 or the opportunity to resume the nonconforming use as a hotel will be lost and the use of the guest rooms for short-term rentals (less than 30 days) will not be permitted.

Mr. Jeffery S. Grad
July 24, 2003
Page 2

- 2) The use of the penthouse unit for a real estate investment office is not permitted.

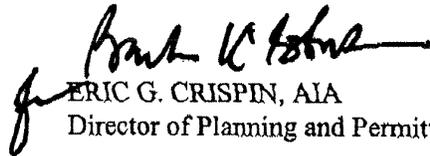
No variances or special permits were granted to allow deviation from any applicable codes.

For your information, the Department of Planning and Permitting cannot determine all nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes.

Conversion to a condominium property regime (CPR) is not recognized by the City and County as an approved subdivision. CPR delineates ownership; it does not create a separate lot of record.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-Family Code Enforcement Branch at 527-6341.

Sincerely yours,


ERIC G. CRISPIN, AIA
Director of Planning and Permitting

EGC:ra
Doc 234760