

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer Villa Maluhia, LLC
Address 3637-A Crater Road, Honolulu, Hawaii 96816

Project Name (*): VILLA MALUHIA CONDOMINIUM
Address: 5287 and 5289 Likini Street, Honolulu, Hawaii 96818

Registration No. 5193
Effective date: October 14, 2003
Expiration date: November 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.

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

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report as Exhibit "A" 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 is a CONDOMINIUM PROJECT, not a subdivision. The "Limited Common Element Land Area" beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and is not a legally subdivided lot. The dotted or dashed lines on the Condominium Map bounding the designated number of square feet in each Limited Common Element Land Area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

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

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: Villa Maluhia, LLC Phone: (808) 979-3331
Name* (Business)
3637-A Crater Road
Business Address
Honolulu, Hawaii 96816

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):

Norman A. Banta
Elsie P.Y.W. Au

Real Estate Broker*: Central Pacific Properties, Inc. Phone: (808) 521-3777
Name (Business)
1188 Bishop Street, #2309
Business Address
Honolulu, Hawaii 96813

Escrow: First Hawaii Title, Corp. Phone: (808) 521-3411
Name (Business)
201 Merchant Street, #2000
Business Address
Honolulu, Hawaii 96813-3740

General Contractor*: Acme Construction Co., LLC Phone: (808) 834-4772
Name (Business)
5151 Likini Street
Honolulu, Hawaii 96818
Business Address

Condominium Managing Agent*: Self-managed by the Association of Condominium Unit Owners Phone: _____
Name (Business)

Business Address

Attorney for Developer: Darryl S. Teruya Phone: (808) 521-5659
Name (Business)
1100 Alakea Street, Suite 1680
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:

<input type="checkbox"/>	Proposed		
<input type="checkbox"/>	Recorded -	Bureau of Conveyances:	Document No. _____
			Book _____ Page _____
<input checked="" type="checkbox"/>	Filed -	Land Court:	Document No. <u>2986072</u>

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 type="checkbox"/>	Recorded -	Bureau of Conveyances Condo Map No. _____	
<input checked="" type="checkbox"/>	Filed -	Land Court Condo Map No. <u>1565</u>	

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 type="checkbox"/>	Recorded -	Bureau of Conveyances:	Document No. _____
			Book _____ Page _____
<input checked="" type="checkbox"/>	Filed -	Land Court:	Document No. <u>2986073</u>

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 Exhibit "B"

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: 5287 and 5289
Likini Street Tax Map Key (TMK): (1) 1-1-058-029
Honolulu, Hawaii 96818

Address TMK is expected to change because _____

Land Area: 10,014 square feet acre(s) Zoning: R-5

Fee Owner: Villa Maluhia, LLC
 Name
3637-A Crater Road
 Address
Honolulu, Hawaii 96816

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: two (2) Floors Per Building: two (2)
 Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood
 Other steel

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>2</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:

Pets: Dogs, cats and other household pets not to exceed two (2)

Number of Occupants: _____

Other: No time sharing, including "vacation license", "travel club membership", or "time interval ownership". See Exhibit C.

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Unit 5287 & 5289: Stairways: 1 Trash Chutes: 0

	Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
Unit	5287	<u>1</u>	<u>5/3</u>	<u>2,559</u>	<u>395</u>	<u>garage</u>
Unit	5289	<u>1</u>	<u>5/3</u>	<u>2,559</u>	<u>395</u>	<u>garage</u>

Total Number of Apartments: two (2)

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

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

Boundaries of Each Apartment: Each unit shall be deemed to include the entire interior area comprising the condominium dwelling located on the limited common element land area appurtenant thereto, including, but not limited to, all perimeter walls and partitions, the interior floors and ceilings, and the roof, foundation and footings of the unit.

Permitted Alterations to Apartments:

See Exhibit "D"

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 not elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls:	<u>six (6)</u>			
	<u>Regular</u>	<u>Compact</u>	<u>Tandem</u>	
	<u>Covered</u>	<u>Covered</u>	<u>Open</u>	<u>TOTAL</u>
Assigned (for each unit)	<u>2</u>	<u>1</u>		<u>6</u>
Guest				
Unassigned				
Extra for Purchase				
Other: _____				
Total Covered & Open:	<u>6</u>	<u>0</u>	<u>0</u>	<u>6</u>

Each apartment will have the exclusive use of at least 3 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

Commercial parking garage permitted in condominium project.

Exhibit E 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: See Exhibit "F" attached hereto

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

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 F .

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 F.

as follows:

***Note:** Land areas referenced herein are not legally subdivided lots.

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:

<u>Condominium Unit</u>	<u>Percentage of Common Interest</u>
5287	50%
5289	50%

- 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 G describes the encumbrances against the title contained in the title report dated April 11, 2003 and issued by Stewart Title Guaranty Co.

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>
Mortgage	If Developer defaults prior to conveyance of a unit to a buyer, the buyer's interest could be terminated by the lender. In that event, Developer will repay to buyer all sums paid by Buyer to Seller or Escrow, without interest, and less cancellation fees.

F. Construction Warranties:

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

1. Building and Other Improvements:

See Exhibit "H"

2. Appliances:

See Exhibit "H"

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

A notice of completion for Units 5287 and 5289 was filed on October 2, 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):

The fee owners have reserved the various rights to add to or modify the Project. Many of these reserved rights are listed in paragraph U. of the Declaration. These rights include, without limitation: (a) the right to reconfigure the Project or any unit with respect to which a deed has not been recorded; (b) the right to modify all documents related to the Project including the Declaration, By-laws and Condominium Map, to alter the Project and units (and to modify said documents accordingly); (c) the right to change the configuration of or to alter the number of rooms or to decrease or increase the size of, or to change the location of any unit; and (d) the right to demolish and reconstruct or rebuild any unit in the Project provided that said demolition, reconstruction and rebuilding is done in compliance with all applicable codes and laws.

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 I contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated August 20, 2003
Exhibit J 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. 5193 filed with the Real Estate Commission on September 16, 2003.

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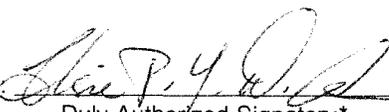
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C. **Additional Information Not Covered Above**

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

VILLA MALUHIA, LLC, a Hawaii limited liability company
 Printed Name of Developer

By:  September 12, 2003
 Duly Authorized Signatory* Date

Elsie P.Y.W. Au, member
 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

DISCLOSURE ABSTRACT

1. Project: VILLA MALUHIA CONDOMINIUM
 5287 and 5289 Likini Street
 Honolulu, Hawaii 96818

2. Developer: Villa Maluhia, LLC
 3637-A Crater Road
 Honolulu, Hawaii 96816

3. Managing Agent: Self-managed by Association of Apartment Owners

4. Maintenance Fees: The maintenance and repair of each condominium unit and all utility charges and insurance premiums are the sole responsibility of the owner thereof. There are no common services or expenses which will require regular monthly assessments; provided, however, the cost and expense of maintaining, repairing and/or replacing the common element utility lines and the vinyl fence separating the limited common element area for Units 5287 and 5289 are common expense of the Association that may require periodic assessments. Breakdown of annual maintenance fees and monthly estimated costs for each unit are more fully described in Exhibit "1" attached hereto (revised and updated every twelve (12) months and certified to have been based on generally accepted accounting principles).

Note: Developer discloses that no reserve study was done in accordance with Chapter 514A-83.6, HRS, and replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

5. Warranties: The Developer makes no warranties with respect to any building, fixtures or site conditions of any unit, or the common elements. No warranties are given as to appliances. Developer is disclaiming any warranties, either express or implied, including any implied warranty of habitability, with respect to the Project, the units or their contents, and Developer will not be liable to Buyer or any other unit owners for any construction or other defects, including any latent or hidden defects in the Project, the units or anything contained therein. This means that neither Buyer nor any other unit owner will have the right to file any lawsuit for damages against Developer for any defects discovered by them.

However, pursuant to the construction contract between the Developer and the Project's general contractor, the general contractor agreed to provide a one year warranty, commencing on the "Date of Substantial Completion" (as defined in the construction contract) that (a) the materials and equipment furnished for construction of the Project will be good quality and new, unless the construction contract requires or

permits that the materials and equipment be otherwise; and (b) the construction and services required by the construction contract (including all labor, materials and equipment to be provided by the general contractor) will be free from defects, except for defects inherent in the quality of the construction and services required or permitted by the construction contract. The Developer will assign said warranty, together with all transferable manufacturer's and dealer's warranties covering all appliances installed in the units by Developer, to the first owner of each unit. No Owner will have any recourse against the Developer under any of said warranties.

6. Number of Apartments; Permitted Use. The Project contains two (2) apartments or units. The units are designated as units 5287 and 5289. Both units are intended solely for residential use. There is no commercial development in the Project.

Each unit shall be occupied and used only as single family dwellings by the respective owners thereof, their tenants, families, domestic servants and social guests. No residential apartment shall be used as a tenement or rooming house or for or in connection with the carrying on of any business, trade or profession whatsoever. The respective residential apartments shall not be rented by the residential apartment owners thereof for transient or hotel purposes, which shall be defined as (i) rental for any period less than thirty (30) days; or (ii) any rental in which the occupants of the residential apartment are provided customary hotel services, such as room service for food and beverage, maid service, furnishing of laundry and linen, and bellboy service. Neither the residential apartments nor any interest therein shall be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including without limitation any so-called "vacation license," "travel club membership" or "time-interval ownership" arrangement. The term "time-sharing" as used herein shall be deemed to include, but is not limited to, any plan, program or arrangement under which the right to use, occupy, own or possess a residential apartment or apartments in the Project rotates among various persons on a periodically recurring basis according to a fixed or floating interval or period of time, whether by way of deed, lease, association or club membership, license, rental or use agreement, co-tenancy agreement, partnership or otherwise. Other than the foregoing restrictions, the residential apartment owners of the respective apartments shall have the absolute right to lease the same, provided that such lease covers an entire residential apartment, is in writing and is made subject to the covenants and restrictions contained in the Declaration and By-Laws for the Project, as amended.

Dated: Honolulu, Hawaii, September 12, 2003

VILLA MALUHIA, LLC.

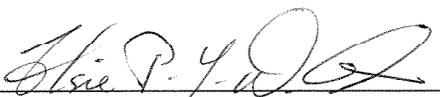
By 
Its Member, Elsie P. Y. W. Au

EXHIBIT 1

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee x 12 months = Yearly Total</u>
5287	-0- x 12 = 0
5289	-0- x 12 = 0

Note: There are no common services or expenses that will require regular monthly expenses. Each condominium unit has its own separately metered utilities and separate limited common element driveway. There are also no common element recreational facilities.

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

EXHIBIT B

DEVELOPER'S RESERVED RIGHTS TO CHANGE CONDOMINIUM DOCUMENTS

Following is a brief summary of certain provisions in the Declaration, By-Laws and the Sales Contract, as indicated, wherein the Developer has reserved the right to change the condominium documents, including the Declaration, By-Laws and the Condominium Map:

I. DECLARATION

In paragraph S of the Declaration, the Developer reserves the right, at any time prior to the conveyance of an apartment to a buyer, to amend the Declaration and the By-Laws in any manner as the Developer may deem fit.

In paragraph U of the Declaration, the Developer reserves the right for itself and its agents, until such time as all the apartments in the Project are sold, without the consent, joinder or approval of the Association or any apartment purchaser, to:

A. Grant utility and access easements and quitclaim any easements in favor of the Project which are not required for the Project. Apartment owners agree, upon request, to join in and execute any and all documents designating, granting and quitclaiming any such easements.

B. Amend the Declaration, the Condominium Map and By-Laws consistent with any grants or reservations of the Developer under the Declaration.

C. Conduct sales of apartments at the Project, including, but not limited to, maintaining model apartments, operating a sales office, conducting advertising, placing signs, using parking spaces and erecting lighting in connection with such sales.

D. Amend the Declaration, the By-Laws and the Condominium Map, without the approval, consent or joinder of any purchaser or owner of an apartment, 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, by any institutional lender lending funds on the security of the Project or any of the apartments, by any purchaser, insurer or guarantor of loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to purchase, insure or guarantee a loan made on the security of the Project or any of the apartments, or by any governmental agency.

E. Reconfigure the Project or any unit with respect to which a deed has not been recorded.

F. To modify all documents related to the Project including the Declaration, the By-Laws and the Condominium Map, to alter the Project and the units (and to

modify said documents accordingly). Without limiting the generality of the foregoing, Developer reserves the right to change the configurations of, or to alter the number of rooms of or to decrease or increase the size of, or to change the location of any unit in accordance with complete plans and specifications therefore prepared by a licensed architect or engineer, and to make other changes in the units and in the common elements, and to increase or decrease the purchase price of the unit or any other unit in the Project.

G. Developer also reserves the right, subject to all applicable codes, laws, rules, regulations or ordinances of any applicable governmental authority, to demolish and reconstruct or rebuild any unit in the Project.

II. BY-LAWS

In Article II, Section 2 of the By-Laws, the Developer reserves the right to exercise the powers, vote and act for the Association and the Board on all matters until the first unit in the Project is conveyed to a buyer (except as to those rights reserved to the Developer in paragraph U of the Declaration, which rights are reserved until all of the activities described therein have been completed).

III. SALES CONTRACT

The Developer, as Seller, reserves the right to modify all documents related to the Project, including the Declaration, By-Laws, Condominium Map, Condominium Deed, Disclosure Abstract and any exhibits to such documents.

THIS EXHIBIT CONTAINS ONLY A BRIEF SUMMARY OF THE PROVISIONS CONTAINED IN THE DECLARATION, THE BY-LAWS AND THE SALES CONTRACT RESPECTING THE DEVELOPER'S RESERVED RIGHTS. PROSPECTIVE OWNERS SHOULD READ AND UNDERSTAND ALL OF THE PROVISIONS RELATING TO THE DEVELOPER'S RESERVED RIGHTS CONTAINED IN THE AFORESAID DOCUMENTS.

EXHIBIT C

SPECIAL USE RESTRICTIONS

The following provisions in the Declaration and By-Laws, as indicated, contain restrictions on the use of the apartments and the common elements of the Project:

I. DECLARATION

Pursuant to paragraph J of the Declaration, each unit shall be occupied and used only as private dwellings by the respective owners thereof, their tenants, families, domestic servants and social guests. No unit shall be used as a tenement or rooming house or for or in connection with the carrying on of any business, trade or profession whatsoever. The units shall not be rented by the owners thereof for transient or hotel purposes, as defined in the Declaration. Neither said units nor any interest therein shall be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including without limitation any so-called "vacation license", "travel club membership" or "time-interval ownership" arrangement. Other than the foregoing restrictions, the unit owners shall have the absolute right to lease the same, provided that such lease covers an entire apartment, is in writing and is made subject to the covenants and restrictions contained in the Declaration and in the By-Laws.

II. BY-LAWS

Article VIII, Section 5 of the By-Laws lists a variety of restrictions affecting the use of the apartments and common elements, including, without limitation, restrictions as to the posting of advertisements, posters or other signs on or about the Project; noise; disposal of garbage; uses which may cause an increase in the ordinary premium rates or cancellation or invalidation of any insurance maintained by or for the Board; noxious or offensive activities; the storage of furniture, packages or other objects which could obstruct transit through the common elements; the construction or placement in the Project of any building or structure; the alteration of any common elements of the Project; installation or maintenance of any television or other antennas in the Project; and the keeping of pets.

THIS EXHIBIT CONTAINS ONLY A BRIEF SUMMARY OF CERTAIN USE PROVISIONS STATED IN THE DECLARATION AND BY-LAWS. PROSPECTIVE OWNERS SHOULD READ AND UNDERSTAND ALL OF THE USE RELATED PROVISIONS CONTAINED IN THE AFORESAID DOCUMENTS.

EXHIBIT D

PERMITTED ALTERATIONS TO APARTMENTS

The Declaration permits alterations to the apartments as follows:

I. DECLARATION

Paragraph Q of the Declaration provides as follows:

Q. ALTERATION OF UNITS. Notwithstanding anything to the contrary contained in this Declaration, each unit owner, with the required consent of any holder of any mortgage affecting the owner's unit, shall have the right at his sole option at any time and from time to time without the consent of any other person to improve, renovate, remodel, make additions to, enlarge, remove, replace or restore the improvements to or in his unit or portions thereof or to make improvements upon the limited common element land area appurtenant to the unit (collectively, the foregoing are referred to as "changes") subject to the following conditions:

1. All building plans for any such changes shall be prepared by a licensed architect or professional engineer, and such changes shall comply with all applicable City and County building, zoning and other applicable laws, rules, regulations and ordinances.

2. From and after such time as Developer has sold all units in the Project, no unit shall thereafter be changed so as to reduce the distance between improvements placed on each land area to less than the distance shown on the Condominium Map without the consent of the other owner, and no change to a unit shall be made if the effect of such change would be to exceed the unit's proportionate share of the allowable floor area or lot area coverage for the land on which the Project is located, pursuant to the then applicable zoning and building codes. The proportionate share for each unit shall be the same as its percentage interest in the common elements.

3. All changes shall be at the sole expense of the unit owner making such changes and shall be completed expeditiously and in a manner that will not unreasonably interfere with the other unit owner's use of his unit or limited common element land areas.

4. During construction, the unit owner making such changes will obtain at its sole expense builder's all-risk insurance in an amount not less than the estimated cost of construction, and the Association shall be named as additional insured.

5. Promptly upon completion of such restoration, replacement or construction, the owner shall duly record or file of record an amendment to the Declaration, together with a complete set of floor plans of the unit as so altered, certified as built by a registered architect or professional engineer; provided, however, that notwithstanding any provision in this Declaration to the contrary, any alterations or additions within a unit may be undertaken without an amendment to this Declaration or filing of a complete set of floor plans of the unit so altered. All present and future unit owners and their mortgagees, by accepting an

interest in a unit in the Project, shall be deemed to have given each unit owner a power of attorney to execute such an amendment to this Declaration, so that each unit owner shall have a power of attorney from all other unit owners to execute such an amendment. This power of attorney shall be deemed coupled with each owner's interest in such owner's unit and shall be irrevocable.

6. Each conveyance, lease and mortgage or other lien made or created on any unit in the Project and all common interests and other appurtenances thereto shall be subject to the provisions of this section Q.

Developer does not give any assurances that the units can be expanded and Developer does not give any assurances that variances are obtainable from the City and County of Honolulu for any proposed improvements.□

THIS EXHIBIT CONTAINS EXCERPTS OF THE PROVISIONS CONTAINED IN THE DECLARATION RESPECTING PERMITTED ALTERATIONS TO THE APARTMENTS. PROSPECTIVE OWNERS SHOULD READ AND UNDERSTAND ALL OF THE PROVISIONS RELATING TO PERMITTED ALTERATIONS CONTAINED IN THE AFORESAID DOCUMENT.

EXHIBIT E

PARKING

Both Unit 5287 and Unit 5289 have two-car garages, which can accommodate two regular size cars and each unit also has one uncovered parking stall. There are no guest parking stalls in the Project.

EXHIBIT F
DESCRIPTION OF COMMON
ELEMENTS AND LIMITED COMMON ELEMENTS

I. COMMON ELEMENTS

Paragraph E of the Declaration describes the common elements as all portions of the land and improvements (other than the units), the land on which the units is located and all common elements mentioned in the Act which are actually constructed on the land described herein. Said common elements include, but are not limited to the following:

1. The fee simple land described in Exhibit "A";
2. All central and appurtenant installations for services such as power, lights, telephone, hot and cold water lines, cable television lines, sewage disposal and other utilities which serve more than one unit (including all pipes, ducts, wires, cables and conduits used in connection therewith, whether located in common areas or in units), and all tanks, pumps, motors, fans, ducts and other apparatus and installations existing for common use;
3. The vinyl fence separating the limited common element land area for units 5287 and 5289; and
4. Any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance and safety, and normally in common use and which are not part of any unit.

II. LIMITED COMMON ELEMENTS

Paragraph F of the Declaration describes the limited common elements as certain parts of the common elements that are set aside and reserved for the exclusive use of certain units, which units shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside for each unit are as follows:

1. One (1) mailbox located on the Project grounds, bearing the same number as the number of the unit.

2. The land area on which each unit is located, as shown and delineated on the Condominium Map, shall be a limited common element for the exclusive use of the unit to which it is appurtenant; provided that each unit owner shall be responsible for and shall bear the expense of installing and maintaining all landscaping within such limited common element land area, and of repairing, restoring or reinstating any walkways, stairways, fences, walls, pavement, water lines, holding tanks and other improvements located within such designated limited common element land area; provided, further, that in the event of any sewer stoppage which affects any individual unit, the owner of such unit shall be responsible for and shall bear the expense of cleaning any sewer line which connects to any main sewer line running beneath the Project. The limited common element land area appurtenant to each unit is indicated on the Condominium Map and contains the following approximate number of square feet:

Unit 5287	4,900 square feet
Unit 5289	5,114 square feet

Notwithstanding any provision herein or in the By-Laws to the contrary all costs of every kind pertaining to each limited common element, including but not limited to, costs of landscaping, maintenance, repair, replacements, additions and improvements, shall be charged to and borne entirely by the owner(s) of the unit(s) to which it is appurtenant. Expenses which are attributable to more than one land area shall be allocated among the affected land areas on a per land area basis. Any expense which cannot be separately identified or attributed to a limited common element shall be charged as a common expense.

EXHIBIT G

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. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Excepting and reserving therefrom unto the Trustees under the Will and of the Estate of Samuel M. Damon, deceased, all artesian and other underground water and rights therein appurtenant to said premises, as reserved in that certain Deed dated October 7, 1965, filed in the Office of the Assistant Registrar of said Land Court as Document No. 372554; said Trustees released all right to enter upon surface of lands to exercise said exception and reservation, including any right of ingress and egress upon said lands, by Release dated October 12, 1965, filed as Land Court Document No. 372562.
4. Covenants, conditions, restrictions, reservations, agreements, obligations, exceptions and other provisions as contained in Declaration of Covenants dated November 24, 1970, filed in the Office of the Assistant Registrar of said Land Court as Document No. 520605, to which reference is hereby made, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c) .
5. Designation of Easement 855 for drainage purposes, as shown on Map 498, as set forth by Land Court Order No. 36534, filed December 15, 1972.
6. Covenants, conditions, restrictions, agreements, obligations and other provisions as contained in Deed dated August 22, 1974, filed in the Office of the Assistant Registrar of said Land Court as Document No. 694398, to which reference is hereby made, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42, US 3604(c).
7. The following encroachment as defined in the Hawaii Revised Statutes Chapter 669-11 ("Demimimus structure position discrepancies, defined"), as disclosed by that certain perimeter survey completed on February 25, 2003, by Robert K. Sing, Licensed Land Surveyor, to-wit:

Along the boundary line of Lot 3312, portion of chain link fence is into Lot 3400 by ninety-nine (99) feet in length and from two (2) feet to zero (0.0) feet in width.

8. Real Property Mortgage and Financing Statement filed in the Bureau of Conveyances and/or the Office of the Assistant Registrar of the Land Court of the State of Hawaii on May 30, 2003, as Document No. 2936735.
9. Condominium Map No. 1565, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.
10. The covenants, agreements, obligations, conditions and other provisions set forth in the Declaration of Condominium Property Regime Villa Maluhia Condominium dated September 2, 2003 dated September 2, 2003, filed with the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 2986072.
11. The By Laws of the Association of Condominium Unit Owners of Villa Maluhia Condominium dated September 2, 2003, filed with said Assistant Registrar of the Land Court of the State of Hawaii as Document No. 2986073.

EXHIBIT H

CONSTRUCTION WARRANTIES

The Sales Contract used in connection with the Project provides as follows:

Buyer understands and agrees that Seller is disclaiming any warranties, either express or implied, including any implied warranty of habitability, with respect to the Project, the units or their contents, and that Seller will not be liable to Buyer or any other unit owners for any construction or other defects, including any latent or hidden defects in the Project, the units or anything contained therein. This means that neither Buyer nor any other unit owner will have the right to file any lawsuit for damages against Seller for any defects discovered by them.

Pursuant to the construction contract between the Developer (Seller) and the Project's general contractor, the general contractor agreed to provide a one year warranty, commencing on the "Date of Substantial Completion" (as defined in the construction contract) that (a) the materials and equipment furnished for construction of the Project will be good quality and new, unless the construction contract requires or permits that the materials and equipment be otherwise; and (b) the construction and services required by the construction contract (including all labor, materials and equipment to be provided by the general contractor) will be free from defects, except for defects inherent in the quality of the construction and services required or permitted by the construction contract. The Developer will assign said warranty, together with all transferable manufacturer's and dealer's warranties covering all appliances installed in the units by Developer, to the first owner of each unit.

Exhibit "T"

Summary of Sales Contract

1. With respect to the sale of a condominium unit the Developer will use the Hawaii Association of Realtors form of Deposit Receipt, Offer and Acceptance ("DROA") as the sales contract for the Project.

2. Until Purchaser has received a copy of the Developers' Final Public Report and has waived or is deemed to have waived his or her rights of cancellation, the Sales Contract shall constitute a mere reservation and may be canceled at any time by either Developer or Purchaser.

3. Purchaser has the right to rescind the Sales Contract if there are any material changes to the Project (other than any additions, deletions and modifications permitted by and made pursuant to Developers' reserved rights set forth in the Declaration of Condominium Property Regime) which directly, substantially and adversely affects the use or value of the unit or limited common elements appurtenant to the unit or those amenities of the project available for such Purchaser's use. Under certain circumstances as set forth in Chapter 514A, Hawaii Revised Statutes, the right of rescission may be waived by Purchaser.

4. Pursuant to the Sales Contract, if the Developer and Purchaser enter into a binding Sales Contract and the Purchaser defaults (i.e., fails to perform Purchaser's obligations under the Sales Contract) Developer may sue the Purchaser for breach of contract or retain the initial deposit and all additional deposits as liquidated damages, and Purchaser must pay for any cost incurred by Developer by reason of Purchaser's default.

THIS IS ONLY A SUMMARY OF SELECTED PORTIONS OF THE SALES CONTRACT.
IT IS INCUMBENT ON ALL PROSPECTIVE PURCHASERS TO CAREFULLY READ THE

ENTIRE SALES CONTRACT AND TO REVIEW ALL PROVISIONS PRIOR TO SIGNING
A SALES CONTRACT.

EXHIBIT J

SUMMARY OF ESCROW AGREEMENT

1. All funds paid to Escrow (First Hawaii Title Corporation) shall be deposited into interest-bearing accounts. All interest earned on such deposits belongs to Seller.

2. Purchaser shall be entitled to a refund of his deposit and Escrow shall pay said funds to said purchaser, without interest and less Escrow's cancellation fee, if Purchaser shall in writing request refund of his deposit and any one of the following shall have occurred: (a) Escrow receives a written request from Seller to return to Purchaser the funds of such Purchaser then held hereunder by Escrow prior to Purchaser's receipt of the Final Public Report; or (b) if the Purchaser's funds were obtained prior to the issuance of a Final Public Report and Purchaser decides to cancel the reservation prior to receipt of the Final Public Report. Upon refund of said funds to Purchaser as aforesaid, Escrow shall return to Seller Purchaser's sales contract and any conveyance document theretofore delivered to Escrow, and thereupon neither the Purchaser nor Seller shall be deemed obligated thereunder.

3. Purchaser shall also be entitled to a refund of his/her deposit if (a) Seller has notified Escrow in writing of Seller's exercise of the option to cancel or rescind the Sales Contract pursuant to any right of cancellation or rescission available to Seller or (b) the Purchaser has exercised such Purchaser's right to rescind the Sales Contract pursuant to Section 514 A-63, Hawaii Revised Statutes, as amended.

4. If at any time Seller shall certify in writing to Escrow that a Purchaser whose funds are being held hereunder by Escrow, has defaulted under the terms of his sales contract and that Seller has terminated said contract pursuant to the terms thereof, Escrow shall notify said Purchaser by registered mail of such default and shall thereafter treat all funds of such Purchaser paid under such contract, less Escrow's cancellation fee, as the escrowed funds of Seller and not of Purchaser. Escrow's cancellation fee shall be commensurate with the amount of work performed in the subject transaction. Said fee shall be no less than \$175.00, but not more than \$250.00.

5. If any dispute or difference arises between Seller and Purchaser, or if any conflicting demand shall be made upon Escrow, Escrow shall not be required to take any action thereon; but may await settlement of the controversy by final appropriate legal proceedings or otherwise as it may require, or file a suit in interpleader in the Circuit Court of the First Circuit and may deposit with the Court any and all monies held.

6. Under the Escrow Agreement no disbursement of Purchaser's funds can be made to Seller until Escrow is notified by Sellers that the Real Estate Commission has issued a Final Public Report on the Project and that each Purchaser has been given a copy of said Final Public Report and receipted for the same; and Seller certifies in writing to Escrow that "the requirements of Sections 514A-39 and 514A-63" of the Hawaii Revised Statutes, as amended, have been met, as said quoted phrases are used in Section 514A-65 of the Hawaii Revised Statutes.

7. Under the Escrow Agreement no disbursement of Purchaser's funds shall be made to Seller prior to the closing date until: (a) construction of all improvements in the project has been completed; and (b) the applicable mechanic's and materialman's 45-day lien period has expired.

THIS IS ONLY A SUMMARY OF SELECTED PORTIONS OF THE ESCROW AGREEMENT. BUYERS ARE URGED TO CAREFULLY REVIEW ALL PROVISIONS OF THE ESCROW AGREEMENT PRIOR TO SIGNING A SALES CONTRACT.