

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer HIALOA, LLC
Address 1188 Bishop Street, Suite 1209, Honolulu, Hawaii 96813

Project Name(\*): NUUANU PLACE
Address 24 Hialoa Street, Honolulu, Hawaii 96817

Registration No. 5271 (conversion) Effective date: February 17, 2004
Expiration date: March 17, 2005

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 governmental 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 expire 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 586-2643 to submit your request.

FORM: RECO-30 286/986/189/1190/892/0197/0800/0203/0104

**Disclosure Abstract:** Separate Disclosure Abstract on this condominium project:

Required and attached to this report                       Not Required - disclosure 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:

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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. The 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 of 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 spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: HIALOA, LLC Phone: (808) 847-1180  
Name  
1188 Bishop Street, Suite 1209  
Business Address  
Honolulu, Hawaii 96813

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)

WAREHOUSE RENTALS, INC. a Hawaii corporation, its Member/Manager - Yoshie Feaster, President  
S.D.B. CORP., a Hawaii corporation, its Member

Real Estate Broker: Nelson Fukuki, dba Phone: (808) 593-0707  
Nelson Fukuki Realty (Business)  
Name  
1314 S. King Street, Suite 1250  
Business Address  
Honolulu, Hawaii 96814

Escrow: Title Guaranty Escrow Services, Inc. Phone: (808) 521-0273  
Name (Janet Nelson)  
235 Queen Street  
Business Address  
Honolulu, Hawaii 96813

General Contractor: Not Applicable Phone: \_\_\_\_\_  
Name (Business)  
Business Address

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

Attorney for Developer: Michael H. Sakai, Esq. Phone: (808) 531-4171  
Name (Business)  
201 Merchant Street, Suite 902  
Business Address  
Honolulu, Hawaii 96813-2977

**II. CREATION OF THE CONDOMINIUM;  
CONDOMINIUM DOCUMENTS**

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- A. **Declaration of Condominium Property Regime** contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

- Proposed  
 Recorded - Bureau of Conveyances: Document No. 2003-256928  
Book \_\_\_\_\_ Page \_\_\_\_\_  
 Filed - Land Court: Document No. \_\_\_\_\_

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

Amended by a First Amendment of Declaration dated December 24, 2003, recorded in said Bureau, as Document No. 2004-000211.

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

The Condominium Map for this condominium project is:

- Proposed  
 Recorded - Bureau of Conveyances, Condo Map No. 3673  
 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 manners which affect how the condominium project will be governed.

The Bylaws for this condominium re:

- Proposed  
 Recorded - Bureau of Conveyances: Document No. 2003-256929  
Book \_\_\_\_\_ Page \_\_\_\_\_  
 Filed - Land Court: Document No. \_\_\_\_\_

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

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

The House Rules for this condominium are:

Proposed                                       Adopted                                       Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

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

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

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

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

2. **Developer:**

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

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

A summary of the reserved rights are as follows (references are to paragraphs in the Declaration):

Par. 6.0(d). The Developer reserved the right to use apartments and parking stalls that it owns for sales and marketing operations.

Par. 18.0. The Developer reserved the right to file an amendment as provided by Section 514A-12, Hawaii Revised Statutes.

The Developer also reserved the right to amend the Declaration under certain circumstances as described in Section 14 of the Deposit Receipt and Sales Contract.



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 period 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 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: 24 Hialoa Street, Honolulu, Hawaii 96817  
Tax Map Key (TMK): (1) 2-2-001-074

Address  TMK is expected to change because City and County of Honolulu may assign new cpr numbers for each unit

Land Area: 12,310  square feet  acre(s)  Zoning: A-1

Fee Owner: HIALOA, LLC  
1188 Bishop Street, Suite 1209, Honolulu, Hawaii 96813

C. **Buildings and Other Improvements:**

1.  New Building(s)  
 Conversion of Existing Building(s)  
 Both New Building(s) and Conversion
  
2. Number of Buildings: 2 Floors Per Building Building 1 - 2 story & Building 2 - 4 story  
 Exhibit A contains further explanations.
  
3. **Principal Construction Material:**  
 Concrete             Hollow Tile             Wood  
 Other Allied building materials
  
4. **Permitted Uses by Zoning:**

	<u>No of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>20</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: Shed	_____	<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: Pets are permitted with Board approval (see House Rules, Par. 2.P)
- Number of Occupants: \_\_\_\_\_
- Other: \_\_\_\_\_
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 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>A1</u>	<u>4</u>	<u>0/1</u>	<u>283</u>	<u>18</u>	<u>laundry area</u>
<u>A2</u>	<u>2</u>	<u>0/1</u>	<u>286</u>	<u>18</u>	<u>laundry area</u>
<u>B</u>	<u>5</u>	<u>2/1</u>	<u>672</u>	<u>100</u>	<u>lanai</u>
<u>C</u>	<u>8</u>	<u>2/1</u>	<u>661</u>	<u>99</u>	<u>lanai</u>
<u>D</u>	<u>1</u>	<u>1/1</u>	<u>509</u>	<u>54</u>	<u>lanai</u>

Total Apartments: 20

**\*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: (from Par. 4.2 of Declaration of Condominium Property Regime)

Limits of Apartments: The respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load bearing walls, the undecorated or unfinished surfaces of each lanai including the railing, the floors and ceilings surrounding each apartment or any pipes, wires, conduits or other utility or service lines running through an apartment which are utilized for or serve more than one apartment, the same being deemed common elements. Each apartment shall be deemed to include all the walls, windows, doors (including all hardware) and partitions which are not loadbearing within its perimeter walls, the inner decorated or finished surfaces of all walls, floors and ceilings, and all fixtures originally installed therein.

Permitted Alterations to Apartments:

Each unit owner may alter the interior of an apartment, but subject to certain restrictions, as provided in paragraph 20 of the Declaration of Condominium Property Regime.

Apartments Designated for Owner-Occupant Only:

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

7. Parking Stalls:

Total Parking Stalls: 22

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	
Assigned (total) (for each unit)	<u>12</u>	<u>5</u>	<u>    </u>	<u>3</u>	<u>    </u>	<u>    </u>	<u>20</u>
Guest	<u>    </u>	<u>2</u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>2</u>
Unassigned	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Extra for Purchase	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Other:	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Total Covered & Open	<u>19</u>	<u>    </u>	<u>3</u>	<u>    </u>	<u>0</u>	<u>    </u>	<u>22</u>

Each Apartment will have the exclusive use of at least 1 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 A contain additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

There are no recreational facilities

Swimming pool

Storage Area

Recreation Area

Laundry Area

Tennis Court

Trash Chute/Enclosure(s)

Other: Recreation deck on fourth floor

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

There are no violations.

Violations will not be cured.

Violations and cost to cure are listed below.

Violations will be cured by \_\_\_\_\_

10. Conditions and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

(For conversions of residential apartments in existence for at least five years):

See Exhibit "F" for further information.

1. 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>          </u>	<u>  X (see Exhibit "H")  </u>	<u>          </u>
Lot	<u>  X  </u>	<u>          </u>	<u>          </u>

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

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

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

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

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

described in Exhibit   B  .

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit B.

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 A.

as follows:

The common interest was determined by dividing a units living area by the total of a living areas with some rounding to make the total add up to 100%.

- 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 C describes the encumbrances against the title contained in the title report dated January 27, 2004 issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specific 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 <b>Prior to Conveyance</b></u>
Mortgage	If the Developer defaults under the Mortgage, the lender may foreclose on the Project. If a foreclosure occurs, all deposits will be refunded to the prospective purchaser, less escrow cancellation fee.

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:

None. There are no warranties, express or implied. See Exhibit "D" for further information.

2. Appliances:

None. There are no warranties, express or implied. However, Developer will assign new manufactures warranty for the new appliances, if any, that are with the apartment.

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

According to a letter dated October 1, 2003 from the Department of Planning and Permitting, City and County of Honolulu, the two (2) story building was constructed in 1959 and the four (4) story building was constructed in 1972.

Developer purchased the property on August 1, 2003 and since that time under took this conversion. Developer had nothing to do with the original construction of the buildings and the operation of the Project prior to August 1, 2003.

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):

**IV. CONDOMINIUM MANAGEMENT**

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

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

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

not affiliated with the Developer  the Developer or the Developer's affiliate.  
 self-managed by the Association of Apartment Owners  other \_\_\_\_\_

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

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

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

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

See Page 20

C. **Utility Charges for Apartments:**

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

None  Electricity ( Common Elements only  Common Elements & Apartments)  
 Gas ( Common Elements only  Common Elements & Apartments)  
 Water  Sewer  Television Cable  
 Other trash pick-up; pest control

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 D contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated August 6, 2003

Exhibit E 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 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 a 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 as 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 Report issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
  - B) Declaration of Condominium Property Regime
  - C) Bylaws of the Association of Apartment Owners
  - D) House Rules, if any.
  - E) Condominium Map
  - 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. The Condominium Property Regime law (Chapter 514A, HRS) and the Administrative Rules (Chapter 107) are available online. Please refer to the following sites:

Website to access official copy of laws: [www.capitol.hawaii.gov](http://www.capitol.hawaii.gov)  
Website to access unofficial copy of law: [www.hawaii.gov/dcca/hrs](http://www.hawaii.gov/dcca/hrs)  
Website to access rules: [www.hawaii.gov/dcca/har](http://www.hawaii.gov/dcca/har)

This Public Report is part of Registration No. 5271 filed with the Real Estate Commission on February 3, 2004.

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C. **Additional Information Not Covered Above**

**RESERVES.** Developer discloses that a reserve study was done by Hawaiiana Management Company, Ltd., in accordance with Section 514A-83.6, Hawaii Revised Statutes, and replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. See Exhibit "G" for further details. The figures are only estimates which means that more reserves may be required which is dependent on when a replacement is needed and the cost of the replacement. The monthly maintenance fees could increase if more reserves are needed or operating cost are higher than presently estimated. Reserve figures are also influenced by maintenance, repair, and upkeep of the Project. Developer makes no representation or warranty as to the accuracy of such estimates. Developer agrees that it will make an initial contribution of \$50,000.00 for the reserves which contribution will be made shortly after the earlier of (i) all units in the Project being sold, or (ii) December 31, 2004.

**FOUR STORY BUILDING APARTMENTS.** All apartments in the four story building have its own water heater and washing machine located on the lanai appurtenant to such unit. There is an A/B type switch for the water heater and washing machine because only one of these appliances can be operated at a time. This type of set-up may not be altered. Additionally, none of the apartments in the four story building may have window air conditioning units.

**NO WARRANTIES OR REPRESENTATIONS.** The Developer is not making any representation or warranty about the apartment, its furnishing and appliances, any electrical, plumbing or mechanical component of the apartment, and the Project. See Exhibit "D" for further information. A purchaser must conduct his or her own inspection of the apartment, its appliances, and all other features of the apartment and the Project. THE DEVELOPER IS NOT OBLIGATED TO MAKE ANY REPAIRS TO ANY PART OF THE APARTMENT OR PROJECT.

**MODEL UNITS.** The model unit in the Project is merely to show a purchaser how an apartment could be decorated. Each apartment has different features and/or appliances.

**ASBESTOS, LEAD BASED PAINT, ENVIRONMENTAL STUDY.** Lead based paint and asbestos are present in the apartment and Project. See Exhibit "D" attached hereto which includes copies of Addendum "B" and "C" and additional information on each of the foregoing. Each purchaser is advised to review each of the foregoing items as the Developer is not required to remove or abate any asbestos, lead based paint, or any other hazardous materials present in an apartment or the Project.

**COMMENCEMENT OF MAINTENANCE FEES.** The Developer intends that each purchase of an apartment in the Project commence paying monthly maintenance fees upon closing. However, the Developer reserves the right to assume all actual common expenses of the Project in lieu of paying the Developer's respective share of the budgeted common expenses. If the Developer will assume the common expenses, each purchaser will be notified of this fact at the closing of his or her purchase. Developer will then pay for all such expenses until the date specified in a disclosure abstract filed by the Developer with the Real Estate Commission, State of Hawaii (which date shall be no less than 30 days from the date of filing), which disclosure abstract shall provide that after such specified date each owner of an apartment in the Project shall be obligated to pay for such owner's respective share of common expenses allocated to its respective apartment. A copy of the foregoing disclosure abstract shall be delivered or given to each of the apartment owners show maintenance expenses were assumed by the Developer.

**ENGINEERING REPORTS.** A Mechanical and Electrical Due Diligence Report were prepared by Cedric D. O. Chong & Associates, Incorporated, dated September 5, 2003. Copies of the subject two reports are attached hereto as Exhibit "F." Certain remedial work may have been done by the Developer however because the apartment is being sold in "as is - where is" condition, each purchaser should conduct his or her own inspection and where appropriate, hire its own consultants and experts. A condition report is also included in Exhibit "F" which was prepared by Lyon Associates.

- D. The developer declares subject to the penalties set forth in section 154A-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.

HIALOA, LLC, a Hawaii limited liability company  
Printed Name of Developer

By WAREHOUSE RENTALS, INC.  
Its Manager

Per:  12/01/03  
YOSHIE FEASTER Date  
Its President

Distribution:

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

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

## EXHIBIT "A"

### Description of Apartments

The apartments in the Project consist of five types of apartments.

a. Studio Apartments (Type A1). There are 4 separately designated and described freehold estates. Each of the studio type A1 apartments consists of 2 rooms. One room contains the kitchen and living/sleeping area and the other room is the bathroom. The net living area of the studio type A1 apartment is approximately 283 square feet.

b. Studio Apartments (Type A2). There are 2 separately designated and described freehold estates. Each of the studio type A2 apartments consists of 2 rooms. One room contains the kitchen and living/sleeping area and the other room is the bathroom. The net living area of the studio type A2 apartment is approximately 286 square feet.

c. Two-Bedroom Apartments (Type B). There are 5 separately designated and described freehold estates. Each of the two-bedroom type B apartments consists of 2 bedrooms, 1 bathroom, a kitchen and living room, and a lanai. The net living area of the two bedroom type B apartment is approximately 672 square feet and the limited common element lanai contains approximately 100 square feet.

d. Two-Bedroom Apartments (Type C). There are 8 separately designated and described freehold estates. Each of the two-bedroom type C apartments consists of 2 bedrooms, 1 bathroom, a kitchen and living room, and a lanai. The net living area of the two bedroom type C apartment is approximately 661 square feet and the limited common element lanai contains approximately 99 square feet.

e. One-Bedroom Apartments (Type D). There is one separately designated and described freehold estate. The one-bedroom type D apartment consists of 1 bedroom, 1 bathroom, a kitchen and living room, and a lanai. The net living area of the 1 bedroom type D apartment is approximately 509 square feet and the limited common element lanai contains approximately 54 square feet.

f. Floor Area. The floor area of an apartment is the net living area and is measured from the interior surface of the apartment's perimeter walls.

Common Interest/Parking Stall Assignments

The common percentage interest and parking stall assignments are as follows:

<u>Apt. No.</u>	<u>Floor</u>	<u>Type</u>	<u>Percentage Interest</u>	<u>Parking Stall (Compact/Regular)</u>
11	1st	A1	2.6056	21 Regular
12	1st	A2	2.6333	1 Compact
14	1st	A1	2.6056	2 Compact
15	2nd	A1	2.6056	22 Regular
16	2nd	A2	2.6333	3 Regular
17	2nd	A1	2.6056	4 Compact
21	2nd	B	6.1873	8 Regular
22	2nd	C	6.0860	10 Regular
23	2nd	C	6.0860	18 Regular
24	2nd	C	6.0860	11 Regular
25	2nd	B	6.1873	7 Regular
31	3rd	B	6.1873	14 Regular
32	3rd	C	6.0860	12 Regular
33	3rd	C	6.0860	17 Regular
34	3rd	C	6.0860	5 Regular
35	3rd	B	6.1873	15 Regular
41	4th	B	6.1873	16 Regular
42	4th	C	6.0860	6 Regular
43	4th	C	6.0860	13 Regular
44	4th	D	<u>4.6865</u>	9 Regular
			100.0000	

Parking - compact stall nos. 19 and 20 are not assigned.

## EXHIBIT "B"

### Common Elements

- a. The land described herein in fee simple.
- b. The foundations, floor slabs, columns, girders, beams, supports, unfinished perimeter and loadbearing walls, roofs, stairs, stairways, rails, walkways around and between the buildings, the recreation area on the fourth floor, and storage room.
- c. Except as may otherwise be specifically provided for herein, all yards, landscaping, driveways, any open parking stalls which are not appurtenant or assigned to an apartment, and the trash enclosure and like facilities.
- d. All pipes, wires, conduits or other utility or service lines running through one apartment which are utilized for or serve more than one apartment and any other central and appurtenant installations for utility services used or necessary to the existence, maintenance and safety of the Project.
- e. Any and all other structures, apparatus and installations of common use, and all other parts of the Project necessary or convenient to the existence, maintenance and safety of the Project, or normally in common use.

### Limited Common Elements

Certain parts of the common elements, herein called the "limited common elements", are hereby designated and set aside for the use of certain apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements as follows:

- a. Parking. Each apartment in the Project shall have the use of one parking stall. Parking stall assignments are as set forth in Exhibit "B" attached hereto and made a part hereof. Each such assigned parking stall is hereby designated as a limited common element appurtenant to and for the exclusive use of such apartment, as shown on the Condominium Map. Stall numbers 19, 20, 21 and 22 as set forth in the Condominium Map are within the 12 foot road widening reserve area. Stall numbers 19 and 20 are guest stalls.
- b. Lanais. The lanai immediately adjacent to each apartment in the four-story building shall be appurtenant to and for the exclusive use and enjoyment of the adjacent apartment as shown on the Condominium Map.
- c. Laundry Area. Each apartment in the two-story building has appurtenant thereto a laundry area consisting of approximately 18 square feet of paved sidewalk as further delineated and described on the Condominium Map. Such laundry area is designated as a limited common element appurtenant to and for the exclusive use of such apartment. The laundry area has the water heater, washing machine, laundry wash basin, clothes dryer, and such other permitted

appliance for the apartments in the two-story building. Some units have a shared laundry wash basin (11 and 12, 15 and 16). The laundry area has the same unit numbering as the apartment that it is appurtenant to.

d. Mailbox. The mailbox corresponding to the apartment number of each apartment is a limited common element of such apartment, such mailbox being located by the stairs on the right side of the four-story building when facing it from Hialoa Street.

EXHIBIT "C"

Encumbrances Against Title

1. For real property taxes due and owing your attention is directed to the Director of Finance, City and County of Honolulu.
2. Title to all minerals and metallic mines reserved to the State of Hawaii.
3. Structure position discrepancies as shown on the map prepared by Lester T. Shimbukuro, Land Surveyor, with Towill, Shigeoka & Associates, Inc., dated July 7, 2003.
4. Mortgage dated July 11, 2003, in favor of Bank of the Orient, a California corporation, recorded in the Bureau of Conveyances, State of Hawaii, as Document No. 2003-159810.
5. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the Assignment of Rents dated July 11, 2003, in favor of Bank of the Orient, a California corporation, recorded in said Bureau, as Document No. 2003-159811.
6. Financing Statement in favor of Bank of the Orient, recorded August 1, 2003, in said Bureau, as Document No. 2003-159812.
7. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the Declaration of Condominium Project Regime for "Nuuanu Place" condominium project dated November 4, 2003, recorded in said Bureau, as Document No. 2003-256928 and Condominium Map Nos. 3673, and any amendments thereto.  
  
Said Declaration was amended by instrument dated December 24, 2003, recorded in said Bureau, as Document No. 2004-000211.
8. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the By-laws of the Association of Apartment Owners dated November 4, 2003, recorded in said Bureau, as Document No. 2003-256929.
9. Any unrecorded and recorded leases and matters arising from or affecting the same.

EXHIBIT "D"

Summary of Sales Contract

The Sales Contract (Deposit, Receipt Sales Contract) contains the purchase price, description and location of the apartment and other terms and conditions under which a Purchaser will agree to buy an apartment in the Project.

Among other things, the Sales Contract:

1. Provides a section for financing to be completed and agreed to by the parties which will set forth how Purchaser will pay the purchase price.

2. Identifies the escrow agent and states that purchaser's deposit will be held in escrow until the Sales Contract is closed or canceled.

3. Requires that Purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

4. Permits the Developer without the consent or approval of a purchaser to modify the Declaration, By-Laws Condominium Map or other documents provided that purchaser may cancel the Sales Contract and obtain a refund if such modification:

- a. substantially and materially impairs the use and enjoyment of the apartment;
- b. substantially and materially alters the arrangement of the rooms or usable space of an apartment or building;
- c. renders unenforceable a purchasers' loan commitment;
- d. increases the purchaser's share of common expenses or maintenance fees;
- e. reduces the obligations of Developer of common expenses on unsold apartments.

5. Provides that the Developer is selling the apartments in "AS-IS WHERE-IS" condition. This means that the Developer is not making any warranties or representations with respect to the apartments and Project. Section 19 of the Sales Contract reads as follows:

"a. As Is - Where Is. Notwithstanding any other provision in this Agreement to the contrary, the Buyer agrees and acknowledges that the Seller is selling the Apartment in an "AS IS, WHERE IS" condition. All land, improvements and other real and personal property will be sold, conveyed, and assigned by the Seller to the Buyer "AS IS, WHERE IS" without any warranty or representations, express or implied, as to condition or fitness for any purpose whatsoever. The Buyer agrees, acknowledges, and affirms to the Seller that the Buyer as had full opportunity to inspect the same, and accepts all land, improvements and other real and personal property in their "AS IS, WHERE IS" condition. Buyer understands that Buyer is responsible to protect his own interest and

that he should conduct his own thorough inspections. The Seller will not be required to make any repairs or pay any expenses concerning the condition of the Apartment or any other improvement in the Project. Seller specifically, without limiting the foregoing, makes no warranties or representations with regard to the following:

(1) The condition, state of repair, operating order, safety, structural soundness, construction or habitability of any improvements on or under the land, Apartment and Project;

(2) The fitness of any improvements for any particular purpose;

(3) The compliance or regulation of the Apartment or Project or any improvements thereon with or under any building, environmental, archaeological, wetlands, endangered species, health, zoning, land use, subdivision, setback, or other applicable law, ordinance, rule or regulation;

(4) The compliance of any easement, right-of-way or driveway with any building, health, zoning, land use, subdivision, setback or other applicable law, ordinance, rule or regulation;

(5) The compaction, stability, composition, erosion or other condition of the soil for the buildings or any other purposes;

(6) The existence of any improvements on or under the Project which go over the boundary lines of any adjoining lands;

(7) The existence of any improvements on or under any adjoining lands which go over the boundary lines of the Project;

(8) Any matter concerning the mechanical and other installations for electricity, water, gas, plumbing, sewer, telephone, cable television or any other utility for the Apartment (if any);

(9) Any matter concerning the electrical, water, gas, plumbing, sewer, or any other utility systems (if any);

(10) Any matter concerning any drainage easement or drainage system (if any) on or for the Project or on any adjoining or other lands over which any such drainage easement or drainage system may go;

(11) Any staking or survey done by any person;

(12) The existence or non-existence of any hazardous materials such as lead based paint, asbestos, except as specifically disclosed in Addendum "B" and "C" attached to and made a part of this Agreement and the compliance of such materials with any applicable federal, state or local law;

(13) The compliance of the improvements with any Fair Housing and other laws, rules and regulations relating to accessibility;

(14) The existence or non-existence of any mold or mildew on or within the Apartment and whether the design or layout of an Apartment may or may not affect the growth or existence of such mold or mildew; and

(15) The impact and effect, if any, of the 12 foot road widening reserve which is described in the Condominium Map.

b. No Reliance by Buyer. Buyer is not relying on any representations or warranties (written, pictorial, oral, or otherwise) concerning the Apartment and Project and assumes all risks of the development or marketability of the Apartment and Project, the risk of changes in applicable laws, and the risk of obtaining any governmental approvals. Without limiting the foregoing, Buyer acknowledges that neither Seller nor any of Seller's employees, or Broker, or any of its salespersons have made any representation or warranty that the Apartment has good investment potential or will increase in value or can be successfully developed.

c. The Condominium Map Is Not A Warranty. The Condominium Map for the Project is intended to show only the layout, location, apartment numbers and dimensions of the apartments in the Project. BUYER AGREES THAT THE CONDOMINIUM MAP IS NOT INTENDED TO BE AND IS NOT A WARRANTY OR PROMISE OF ANY KIND BY SELLER OR BROKER. The living areas of the apartments and the lanais were based on information provided by design professionals hired by Seller. Buyer agrees that if it is discovered that the area of the Apartment, its lanai, and the dimensions of the parking stall are smaller or different in any manner from the Condominium Map that such differences shall not affect the Total Purchase Price. Buyer further acknowledges and agrees that his decision to purchase was not made or based on the living areas or the foregoing dimensions but rather, based on Buyer's inspection and viewing of the Apartment. Buyer has inspected and approves the design and location of the parking stall. Seller did not develop or construct the Apartment or any of the buildings. Seller only purchased the Project in 2003 and has little, if any experience in operating the Project.

d. Seller Makes No Promises or Warranty About the Amount of Monthly Maintenance Charges. Buyer has examined and approved the estimate of monthly maintenance charges and assessments for the Apartment and the Project as shown in the Budget for the Project prepared by the Seller and/or Managing Agent. Seller, Broker, and Managing Agent make no promises or warranties about the accuracy of those amounts. Buyer understands that those amounts are only estimates and may change for a lot of reasons. Buyer accepts and approves any changes in such estimate made by Seller or the Managing Agent.

e. Seller Makes No Promises About Rentals. BUYER AGREES THAT NO ONE (INCLUDING THE SELLER, BROKER OR ANY SALESPERSON) HAS TALKED TO BUYER AT ALL ABOUT ANY RENTAL INCOME OR RENTAL OR SALES SERVICES FOR BUYER'S APARTMENT. IF BUYER WANTS TO RENT OR SELL THE APARTMENT, HOW BUYER DOES IT WILL BE UP TO BUYER, BUT SUBJECT TO ANY APPLICABLE OWNER-OCCUPANT RESTRICTIONS. BUYER ALSO

AGREES THAT NO ONE HAS TALKED TO BUYER AT ALL ABOUT INCOME FROM THE APARTMENT OR ANY OTHER ECONOMIC BENEFIT TO BE DERIVED FROM THE PURCHASE OR OWNERSHIP OF THE APARTMENT OR ABOUT THE TAX EFFECTS OF BUYING THE APARTMENT.

f. Acceptance of Conditions; Release. Buyer hereby accepts all of the foregoing terms and conditions described in paragraphs a through e above as well as any loss or value, marketability, losses, expenses, damages, injury, sickness, inconvenience or annoyance which Buyer or any occupant may experience as a result of such conditions and hereby expressly waives any rights, claims or actions which he might otherwise have against Seller as a result of such circumstances (collectively the "Claims"). The Buyer, for himself, his heirs, personal representatives, successors, assigns, and any person using or occupying the Apartment, hereby fully, finally and forever, releases, and agrees to indemnify and hold harmless, Seller, Broker, Managing Agent, Seller's agents, employees, contractors, professionals, and its consultants, and each of their respective successors and assigns from and against any and all damages, liability, personal injury claims or illness, property damage claims, cost and expenses including reasonable attorney's fees, relating to any claim by the Buyer or any person using or occupying the Apartment arising directly or indirectly out of or from the Claims, including impairment of the use and enjoyment of the Apartment and loss of market value and hereby agrees to these provisions which shall also be contained in the Apartment Deed and Buyer shall further include these provisions in any subsequent conveyance of the Apartment. Buyer furthermore agrees that Buyer will not file suit or make any claim against Seller, Broker, Managing Agent, and any of their respective officers, directors, employees, agents, successors and assigns, on account of or resulting from the Claims or any inconvenience, disturbance, damages, claims, liability, and/or injury arising from or related to the conditions set forth in this Section 19. Buyer represents and warrants to Seller that Buyer, in Buyer's sole discretion, has determined that the benefits of owning and enjoying the Apartment outweighs the risks of any of the conditions described in paragraphs a through e above. The terms of this Section 19 shall survive the occupancy of the Apartment by Buyer and the delivery and recording of the Apartment Deed to Buyer."

6. If purchaser dies (any one of them) prior to closing, Developer has the right to return purchaser's funds, less any escrow cancellation fees and cost, and cancel the Sales Contract.

7. Provides that the closing cost shall be paid as follows:

a. By purchaser: title insurance, drafting of any note and mortgage, purchaser notary fees, recording fees, one half of escrow fees, and also a start fee for common expenses, if any.

b. By Developer: drafting of apartment deed and Developer notary fees, conveyance taxes, preliminary title report, and one half of escrow fees.

8. Provides the following remedies, in the event of default under the Sales Contract:

by purchaser:

- a. Developer may bring an action against purchaser for breach of contract;
- b. Developer may retain initial deposit;
- c. Purchaser shall be responsible for expenses incurred.

by Developer:

- a. Purchaser may bring an action against Developer for breach of Contract;
- b. Purchaser may bring an action compelling Developer to perform under contract;
- c. Developer shall be responsible for expenses incurred.

Any awards to the prevailing party in any action are subordinate to escrow's expenses.

9. Provides that purchaser may not assign his/her interest in the Sales Contract without the prior written consent of Developer.

10. Contains Addendum "B" regarding Lead-Based Paint and Addendum "C" regarding Environmental Matters which Purchasers must acknowledge as part of the Sales Contract. The two Addendums but not the enclosures (excerpts) are attached hereto.

The Sales Contract contains various other provisions which purchaser should become acquainted with.

**ADDENDUM "B"**

**Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards**

**Lead Warning Statement**

*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 leaning 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 hazard is recommended prior to purchase.*

**Seller's Disclosure**

- (a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):
  - (i)  X  Known lead-based paint and/or lead-based hazards are present in the housing (explain)

See report dated September, 2003 prepared by Enpro.

- (ii) \_\_\_\_\_ Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.
- (b) Records and reports available to the seller (check (i) or (ii) below):
  - (I)  X  Seller has provided the purchaser with all available records and reports pertaining to lead-based paint and /or lead-based paint hazards in the housing (list documents below).

See report dated September, 2003 prepared by Enpro.

- (ii) \_\_\_\_\_ Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

**Purchaser's Acknowledgement (initial)**

- (c)  X  Purchaser has received copies of all information listed above.
- (d)  X  Purchaser has received the pamphlet *Protect Your Family from Lead in Your Home*.
- (e) Purchaser has (check (i) or (ii) below):
  - (i) \_\_\_\_\_ received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or
  - (ii) \_\_\_\_\_ waived the opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.

**Agent's Acknowledgment (initial):**

- (f) \_\_\_\_\_ Agent has informed the seller of the seller's obligations under 42 U.S.C. 4852(d) and is aware of his/her responsibility to ensure compliance.

**Certification of Accuracy**

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

**HIALOA, LLC**  
**By Warehouse Rentals, Inc.**

\_\_\_\_\_  
By Its President Date

\_\_\_\_\_  
Purchaser Date

\_\_\_\_\_  
Agent Date

\_\_\_\_\_  
Purchaser Date

## ADDENDUM "C"

### Disclosure of Information Regarding Environmental Matters.

#### 1. Definitions

A. As used herein, the term "Hazardous Materials Laws" means and includes all federal, state or local laws, ordinances or regulations, now or hereafter in effect, relating to environmental conditions, industrial hygiene or Hazardous Materials on, within, under or about the Apartment and Project, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., the Substances Control Act, 15 U.S.C. Section 2601 through 2629, the Safe Drinking Water Act, 42 U.S.C. Sections 300f through 300j, and any similar state or local laws or ordinances and the regulation now or hereafter adopted, published and/or promulgated pursuant thereto.

B. As used herein, the term "Hazardous Material" means and includes any and all radioactive materials, asbestos, 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 material defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", or "toxic materials", or "toxic substances" under, or for the purposes of, the Hazardous Materials Laws.

C. As used herein, the term "Hazardous Discharge" means any event involving the use, deposit, spill, release or discharge of any Hazardous Material on, within or under the Apartment and Project.

D. As used herein, the term "Hazardous Materials Claims" means and includes (i) any and all enforcement, clean-up, removal, mitigation or other governmental or regulatory actions instituted, contemplated or threatened, in respect of the Apartment and Project pursuant to any Hazardous Materials Laws, and (ii) any and all claims made or to the best of the Buyer's knowledge contemplated or threatened, by any third party against the Buyer seeking damages, contributions, cost recovery, compensation, injunctive relief or similar relief resulting from any Hazardous Discharge or from the existence of any Hazardous Material on, within or under the Apartment and Project.

#### 2. Disclosures

A. Seller does not represent and has no knowledge of the manner in which the Apartment and Project was or may have been used by any previous owner thereof with regard to any Hazardous Material. The Seller only recently purchased the Project and registered the 20 apartments in the two buildings as a condominium project with the Real Estate Commission, State of Hawaii. Seller did not construct or develop nor is it related to or affiliated with the person(s) or company that did construct and develop the two apartment buildings comprising the Project.

B. Seller has received the following reports, copies of which have been made available to the Buyer for Buyer's own review, information and use (collectively the "Environmental Reports"):

(1) Phase I Environmental Site Assessment dated June 27, 2003, prepared by J.R. Herold & Associates, environmental professionals. The portion of said Assessment that is entitled "Summary" is attached hereto as Exhibit "1".

(2) Environmental Site Assessment dated September 2003, prepared by ENPRO, environmental consultants. The portions of said Site Assessment that are entitled "Recommendations for

Management Planning" for both the asbestos containing building materials (ACBM) and lead containing paint are attached hereto as Exhibit "2".

C. Except as set forth and described in the Environmental Reports, Seller has no knowledge of any Hazardous Materials or Hazardous Material Claims with respect to the Apartment and Project.

**3. Agreement of Buyer**

A. Buyer covenants to the Seller that the Buyer will not use, generate, manufacture, treat, handle, refine, produce, process, store, discharge, release, dispose of or allow to exist on, within, under or about the Apartment and Project, any Hazardous Material, except in full compliance with all applicable Hazardous Materials Laws. Buyer acknowledges and understands that the manner in which Buyer maintains and repairs the Apartment, including the walls, any flooring, and other improvements may have an adverse negative impact on the Hazardous Materials.

B. Buyer will indemnify the Seller against and hold the Seller, the Broker, and its consultants harmless from all costs and expenses (including reasonable fees of legal counsel), losses, damages (including foreseeable or unforeseeable consequential damages) and liabilities incurred by the Seller, the Broker, and its consultants, which may arise out of or may be directly or indirectly attributable to (1) the use, generation, manufacture, treatment, handling, refining, production, processing, storage, release, discharge, disposal or presence of any Hazardous Materials on, within, under or about the Apartment and Project, (2) the Seller's investigation and handling (including the defense) of any Hazardous Materials Claims, whether or not any lawsuit or other formal legal proceeding shall have been commenced in respect thereof, and (3) the Seller's enforcement of this Addendum "C", whether or not suit is brought therefor.

C. By signing below, Buyer acknowledges that Buyer has been given the opportunity to review the Environmental Reports and conduct his own investigation of the Apartment..

**4. Miscellaneous Provisions**

A. The provisions of Addendum "C", shall survive (1) the conveyance of the Apartment to the Buyer and by the Buyer to any subsequent purchaser and (2) any transfer of an interest in the Apartment by any security agreement, including a mortgage, and (3) any default or foreclosure thereof.

B. This paragraph shall inure to the benefit of and may be enforced by the Seller and shall be binding upon and enforceable against the Buyer and the heirs, personal representatives, successors and assigns of the Buyer.

C. If any term or provision of this Addendum "C" or the application thereof to any person or entity or circumstance shall to any extent be invalid or unenforceable, the remainder of this Addendum "C", or the application of such term or provision to persons or entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Addendum "C" shall be valid and enforceable to the fullest extent permitted by law.

Seller:  
  
Hialoa, LLC  
By Warehouse Rentals, Inc.

Buyer:  
  
\_\_\_\_\_  
Name:

By \_\_\_\_\_  
Name: Yoshie Feaster  
Title: President

\_\_\_\_\_  
Name:  
  
Date: \_\_\_\_\_

## EXHIBIT "E"

### Summary of Escrow Agreement

The Escrow Agreement sets up an arrangement under which the deposits which a purchaser makes under a Sales Contract will be held by a neutral party ("Escrow"). Escrow is TITLE GUARANTY ESCROW SERVICES, INC.. Under the Escrow Agreement dated August 19, 2003, these things will or may happen:

(a) Developer or Escrow will let purchasers know when payments are due and all monies received from a purchaser will be deposited in Escrow. Any interest earned on the deposits will belong to Developer.

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

(c) The Escrow Agreement specifies when purchaser funds may be disbursed upon closing of a sale. The conditions include:

i) Escrow receives the purchasers' signed "Receipt for Public Report(s) and Notice of Right to Cancel";

ii) Escrow receives a certification from the Developer that the Sales Contract is effective and that the rescission right requirements in favor of purchasers have been complied with by the Developer; and

iii) The apartment deed conveying the unit to the purchaser has been recorded in the Bureau of Conveyances.

(d) The Escrow Agreement says under what conditions a refund will be made to a purchaser. Refunds can occur under the following situations:

i) If Purchaser elects to cancel the transaction in accordance with the "Receipt for the Final Public Report and Notice of Right to Cancel". The Receipt provides that purchasers may cancel the Sales Contract and purchaser is the Receipt is mailed or sent by telegram to Developer before (1) the apartment unit is conveyed to purchaser or (2) midnight of the 30th day after delivery of the Public Report(s) to me, whichever is earlier.

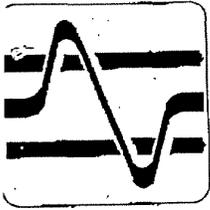
ii) The Developer and purchaser agree to terminate the Sales Contract;

iii) if the Developer exercises any right to cancel the transaction which it may have reserved.

NOTE: If a transaction is cancelled, the purchaser must return all documents to the Developer.

(e) The Escrow Agreement says what will happen to a purchaser's funds upon a default under the Sales Contract. If a purchaser defaults, all deposits previously placed into Escrow will be forfeited by purchaser and Escrow may release such funds to Developer. See paragraph 11 of Escrow Agreement.

The Escrow Agreement contains various other provisions and establishes certain charges with which the purchaser should become acquainted.



**CEDRIC D. O. CHONG & ASSOCIATES, INCORPORATED**  
MECHANICAL, ELECTRICAL & FIRE PROTECTION ENGINEERS  
828 FORT STREET MALL SUITE 500 HONOLULU, HAWAII 96813

September 5, 2003

Queen's Realty  
1188 Bishop Street, Suite 1209  
Honolulu, HI 96813

Attention: Ms. Yoshie Feaster

Ladies and Gentlemen:

*Mechanical Due Diligence Report*  
24 Hialoa Street Apartments  
Honolulu, Hawaii

A. General Background

The project scope was to visually evaluate and assess the condition of the existing mechanical and plumbing systems that serve the existing eighteen unit apartment complex at 24 Hialoa Street. The apartment complex consists of two separate buildings. A two-story, six-unit structure appears to be the older of the two buildings. The four story, twelve apartment building was later constructed in 1971 adjacent to the older two story structure. Both buildings are connected by a stairwell. Tenant parking stalls are located on the ground floor of the four-story apartment building and in the front driveway of the older two story building. The mechanical related systems serving both buildings basically consist of plumbing components only with the exception of bathroom exhaust systems that serve the 4-story apartment building. None of the apartment units in either building are provided with air conditioning.

B. Plumbing System

1. 4-Story Apartment Building:

The plumbing system serving the building consists of waste and vent systems with four vertical stacks serving the typical units. The waste stacks are collected in the parking area on the ground floor. Cold water is also distributed vertically from the ground floor to the typical apartment units. The existing waste piping is constructed of no-hub cast iron piping with stainless steel couplings and the water piping is constructed of copper. Each riser has been provided with a gate valve to allow proper isolation for maintenance and repair.

Each apartment unit has its own electric water heater located on the balcony of the apartment building. A washing machine connection is also provided on each balcony for washing machine installations.

In general, the plumbing systems appear to be in very good condition. The piping has been painted and appears to be well maintained. The following plumbing items were noted during our walk-through:

- a. The middle riser at the back column in the parking garage is severely corroded. The pipe couplings have deteriorated at the wye connection above parking stall #5.
- b. Although the piping is copper, based on the age of the building, the copper piping joints could contain lead solder. The water in the building should be tested for lead to determine if lead solder could be leaching out into the domestic water system in the building.
- c. There is no reduced pressure backflow preventer on the water supply serving the building as required by the Board of Water Supply. Any future building permit will require a backflow preventer installation on the main water service to the building.
- d. It appears that most of the fixtures in the building have been retrofitted with water-conserving fixtures in accordance with City and County Ordinances and Board of Water Supply requirements. However, we recommend that this be verified and any non-water conserving fixture be replaced with a water conserving fixture.

## 2. Original 2-Story Building

The plumbing systems that serve the older building are very old, deteriorated and antiquated. Waste and water risers on the backside of the building serve each of the typical apartments. The water piping appears to be threaded galvanized steel and the waste and vent piping appears to be constructed of hub and spigot cast iron piping. Each of the six units has its own 30 gallon 28,000 btuh gas-fired water heater. Gas piping also serves gas ranges in each of the typical apartment buildings. Each of the unit's gas usage is metered separately, and all of the existing gas piping appears to be constructed of threaded steel piping.

The following plumbing items were noted during our walk-through of the building:

- a. The plumbing system is very old and deteriorated. The steel water piping is rusting and ferrous oxide is evident in the domestic water when fixtures are opened after sitting idle for some time. Interior steel piping is no longer utilized in new construction. Replacement of the interior

plumbing system (water distribution piping) is recommended in the near future.

- b. All plumbing fixtures in the building do not appear to be water conserving type as required by City and County Ordinances and Board of Water Supply Requirements.
- c. The gas water heater flue terminates inside of the vented enclosure. This is not good practice since the exhaust is corrosive and will deteriorate the water heater casing. We recommend that the flue be terminated outside of the water heater enclosure.

#### C. Mechanical Ventilation

The 4-story apartment unit bathrooms are mechanically ventilated with a local propeller exhaust fan that exhausts into a common duct shaft riser that serve each stack of typical apartment units. Each fan is individually ducted through the roof. The propeller fans are old and should be replaced in the near future. Most of the fans observed had a significant amount of dust and debris built-up in the fan. According to the drawings, the exhaust ducts are all enclosed with 1 hour fire protection and appears to satisfy Building Code separation requirements.

The older 2-story structure is naturally ventilated and does not have any mechanical ventilation.

#### D. Fire Protection

The 4-story apartment building is protected by fire extinguishers, a Class I dry standpipe system, and wet fire hose cabinets (Class II) located on each floor. On this basis, adequate fire protection is provided for the building in accordance with Uniform Building Code Requirements. Based on maintenance logs, it appears that the fire protection systems are well-maintained and in good working condition.

The older 2-story apartment building does not have any fire protection and is not required to be protected per Uniform Building Code requirements.

#### E. Recommendations

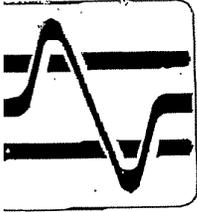
Based on our evaluation and assessment of the mechanical and plumbing systems, our recommendations are as follows:

Description of Recommendation	Estimated Construction Cost (\$)
1. Repair Corroded Plumbing Riser located in the Parking Garage	\$2,500
2. Provide a backflow prevention device on the main water service to each building.	\$10,000
3. Replace all non-water conserving fixtures with new water saving plumbing fixtures.	\$20,000
4. Replace existing galvanized steel domestic water piping serving the older 2-story apartment building.	\$20,000
5. Replace bathroom exhaust fans in the 4 story structure.	\$6,000
<b>Total Cost of Recommended Upgrades</b>	<b>\$58,500</b>

Item #3 should be implemented as a priority since it will reduce water consumption for the building and result in overall water cost savings. The rest of the recommended measures can be implemented as funds become available or as the need arises due to continued deterioration of fixtures and piping, or plumbing work in the building necessitates a building permit which will then kick in the requirements for a backflow preventer.

Respectfully Submitted,

Barry G.S. Jim On, P.E.  
Vice President



**CEDRIC D. O. CHONG & ASSOCIATES, INCORPORATED**

MECHANICAL, ELECTRICAL & FIRE PROTECTION ENGINEERS  
828 FORT STREET MALL, SUITE 500 HONOLULU, HAWAII 96813

September 5, 2003

Queen's Realty  
1188 Bishop Street, Suite 1209  
Honolulu, HI 96813

Attention: Ms. Yoshie Feaster

Ladies and Gentlemen:

Electrical Due Diligence Report  
24 Hialoa Street Apartments  
Honolulu, Hawaii

A. General Background

The project scope was to visually evaluate and assess the condition of the existing electrical systems for the four-story, 14-unit apartment and two-story, 6-unit apartment complexes on 24 Hialoa Street. Both buildings are connected by a stairwell. Tenant parking stalls are located on the ground floor of the four-story apartment building and in the front driveway of the older two story building.

B. Electrical System Assessment

1. Four-Story Apartment Building:

HECo provides a 400 amp, 120/240 volt, 3-wire, single-phase service from the pole-top transformer across the street. The HECo overhead service drop is extended to the weather-head on the roof and routed down to the meters and service entrance equipment on the ground floor.

A total of 14 HECo meters are provided for each of the apartments, plus one meter for the house panel. The feeder circuit breaker serving the panel in each apartment is rated at 2P70A and feeder conductors are sized at 2#4, 1#6 in 1-1/4" conduit. The tenant panel is located inside the kitchen cabinet, and all the circuits are fully used.

Telephone service is provided by Verizon Hawaii and follows the same routing as the HECo service, terminating at a telephone cabinet next to the main service disconnect switch on the ground floor. Riser conduits connect the telephone outlet in tenant spaces and homerun back to the cabinet. There is provision for only one telephone outlet in the living room in each apartment.

CATV service is provided by Oceanic Cable Co. and retrofitted at a later time. The CATV service drop comes from the same pole across the street, spans across the street, and is terminated in a cabinet located on the exterior wall. Surface raceway system was provided along the exterior wall to distribute the CATV service to each apartment.

The existing manual fire alarm system consists of a FA control panel, manual pull stations, and bells. The FA control panel is located next to the house panel. The manual pull stations are located by the stairs on each landing and bells are located at the midpoint of the covered corridor on each apartment floor level.

In general, the electrical distribution system appears to be well maintained. The following electrical items were noted during our field observation:

- a. The service equipment, which includes a main fused disconnect switch, meter enclosures, and individual circuit breakers, should be inspected and tested. The service equipment appears to be of original vintage and is over 30 years old. Typical useful life expectancy for this type of equipment is 25 years and replacement parts may be difficult to obtain, if not impossible. Replacement of the service equipment is recommended if any additional loads are anticipated for each apartment, such as dryers and A/C units.
- b. The existing telephone cabinet has slight rust damage. It is not rated for outdoor installation. Replacement of telephone cabinet with an outdoor rated cabinet is recommended. The existing telephone lines may need to be replaced to support DSL or high speed Internet services if required by tenants.
- c. The existing CATV cabinet has slight rust damage. The existing CATV cables may need to be replaced to support digital cable or cable modem connections if required by the tenants.
- d. The existing fire alarm control panel appears to be disabled. The existing fire alarm system is of original vintage and obsolete. Replacement of the system is recommended, which should include a new control panel, manual pull stations, bells and related wiring reusing the existing conduit system.
- e. The existing incandescent lighting fixtures for the parking area on the ground floor do not appear to provide adequate coverage. Use of energy efficient HID or fluorescent type lighting fixtures is recommended to improved illumination of the parking area.

- f. The existing incandescent lighting fixtures along the covered walkway and stairs should be replaced with energy efficient compact fluorescent type fixtures.
- g. The existing panel in the apartment is located inside a wooden cabinet in the kitchen. This is a code violation. The cabinet must be removed, or the panel must be relocated. The panel has no spare circuit breakers to support new additional loads.
- h. An additional receptacle should be provided in the living room to maintain maximum spacing between receptacles, per code.
- i. An additional receptacle should be provided at the kitchen counter top to maintain maximum spacing between receptacles, per code. All kitchen counter top receptacles should be GFCI type.
- j. There are no receptacles in the bathroom.
- k. A stand-alone smoke detector is installed in the living room and appears to be battery type. The UBC requires smoke detectors in each bedroom and hallway.
- l. The receptacle located on the balcony of each apartment has a weather-protection cover, but it is not a GFCI type as required.
- m. There is only one telephone outlet per apartment, located in the living room.
- n. Considering the age of the building, all receptacles and light switches should be replaced and associated conductors be tested.

## 2. Two-Story Apartment Building

It appears that the building is more than 40 to 50 years old, as indicated by the outdated and obsolete electrical distribution system.

HECo provides a 100 amp, 120/240 volt, 3-wire, single-phase service from the pole-top transformer across the street. The HECo overhead service drop is extended to the weather-head on the roof and routed down to the meters and service entrance equipment on the ground floor.

A total of 6 HECo meters are provided for each of the apartments, and there are no house meters to serve the shared utilities of the building. Each apartment is served by two 1P20A circuit breakers located at the service equipment. There is no individual panel within each apartment.

Telephone service is provided by Verizon Hawaii, and follows the same routing as the HECO service, terminating at a telephone cabinet next to the service equipment on the ground floor. Access to the telephone cabinet is partially blocked by the water heater enclosure.

CATV service is provided by Oceanic Cable Co. and was retrofitted at a later time. The CATV service drop comes from the same pole across the street and spans across the street to the building. The CATV cables are routed to each apartment exposed along the exterior wall.

In general, the electrical distribution system is obsolete and in need of major upgrades. The following electrical items were noted during our field observation:

- a. The service equipment appears to be of original vintage and is obsolete. The existing circuit breakers were probably never maintained, exercised, or tested, thus, it is highly doubtful that they provide proper protection for the circuits. Replacement of the service equipment in its entirety is recommended to comply with the latest code requirements to assure safety and reliability of electrical service to the building.
- b. The existing telephone cabinet should be replaced with an outdoor rated cabinet and installed at the location where clearance can be maintained. The existing telephone lines may need to be replaced to support DSL or high speed Internet services if required by the tenants.
- c. Providing new weather-head, CATV cabinet and protected distribution system for the CATV system is recommended. The new CATV service will provide support for digital cable operation and cable modem connections if required by the tenants.
- d. The existing incandescent lighting fixtures along the covered walkway and stairs should be replaced with energy efficient compact fluorescent type fixtures.
- e. The existing incandescent lighting fixtures along the covered walkway and stairs should be replaced with energy efficient compact fluorescent type fixtures.
- f. Each apartment should be provided with a new panel to serve the receptacles, lights, and appliances.
- g. An additional receptacle should be provided at the kitchen counter top and living room, per code. All kitchen counter tops and bathroom receptacles should be GFCI type.

- h. The receptacles serving the wash machines are not GFCI type and do not have weather-proofed covers.
- i. A stand-alone smoke detector should be provided in the living room, per UBC.
- j. Considering the age of the building, all receptacles and light switches should be replaced, including the associated conductors.

C. Recommended electrical improvements for the four-story apartment building.

Based on our evaluation and assessment of the electrical systems, our recommendations are as follows:

Description of Recommendation	Estimated Construction Cost (\$)
1. Replace individual circuit breakers serving the tenant and house panels. Replace the feeder conductors and panel for each apartment to support additional electrical loads.	\$75,000
2. Replace the existing telephone cabinet with an outdoor rated cabinet.	\$600
3. Replace the existing fire alarm system.	\$10,000
4. Replace the existing incandescent exterior and parking lights with energy efficient light fixtures.	\$6,000
5. Provide additional receptacles in living room, bathroom, and kitchen.	\$6,000
6. Provide smoke detectors in bedrooms and hallway.	\$5,000
7. Provide a new dryer outlet on the balcony.	\$8,000
8. Replace all receptacles and light switches.	\$20,000
<b>Total Cost of Recommended Upgrades</b>	<b>\$126,600</b>

Item #1 should be implemented as a priority to ensure safety and reliability of the electrical distribution system for the building. Items #5 and 7 are also impacted if this is not implemented. Item #3 is also critical because a fire alarm system is required for this type of building, and must be operational and maintainable. Items #5 & 6 are required by Code. Items #2, 4, 7 and 8 are optional items, but highly recommended if Item #1 is to be executed.

D. Recommended electrical improvements for the two-story apartment building.

Based on our evaluation and assessment of the electrical systems, our recommendations are as follows

Description of Recommendation	Estimated Construction Cost (\$)
1. Replace the existing service equipment, including meter enclosures, circuit breakers and feeder to each apartment. Provide a new panel in each apartment.	\$25,000
2. Replace all receptacles, switches, and related circuits. Provide additional receptacles in kitchen and living room.	\$18,000
3. Replace the existing telephone cabinet with an outdoor rated cabinet.	\$500
4. Replace the existing incandescent exterior lights with energy efficient light fixtures.	\$2,000
5. Provide smoke detectors in living rooms.	\$400
6. Provide new dryer outlets.	\$2,000
<b>Total Cost of Recommended Upgrades</b>	<b>\$47,900</b>

Items #1 and 2 should be implemented as a priority to ensure the safety and reliability of the electrical distribution system for the building due to the age and conditions of the existing electrical system. Item #5 is required by Code. Items #3, 4, and 6 are optional items, but highly recommended if Items #1 and 2 is to be executed.

Respectfully submitted,

Wesley Ishihara, P.E.  
Project Engineer



CIVIL ENGINEERS  
CONSTRUCTION MANAGERS

ENGINEER INSPECTION REPORT  
(conversion)

REAL ESTATE COMMISSION  
Department of Commerce and Consumer Affairs  
State of Hawaii  
Seventh Floor, 1010 Richards Street  
Honolulu, HI 96813

Re: NUUANU PLACE CPR  
24 Hialoa Street, Honolulu, HI 96813  
(1) 2-2-001:074

Submission for Final Public Report

Dear Commissioners:

The undersigned, being Registered Professional Engineer Number 8256-C in the State of Hawaii, hereby declares as follows:

1. I have examined the two story residential structure containing Units 11, 12, 14, 15, 16, and 17 on the above referenced property; and
2. Without invasive examination of covered components, the structures and mechanical components of the apartments identified as Units 11, 12, 14, 15, 16, and 17 on the condominium map appeared to be in good condition; and
3. The useful remaining life of the residential structures is estimated to be 20 years however with appropriate attention and maintenance the useful remaining life of the building should exceed 30 years for Units 11, 12, 14, 15, 16, and 17 as of the date hereof.

Please feel free to contact me if you should have any questions regarding the foregoing.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank James Lyon".

Frank James Lyon  
Registered Professional  
Engineer No. 8256-C



CIVIL ENGINEERS  
CONSTRUCTION MANAGERS

ENGINEER INSPECTION REPORT  
(conversion)

REAL ESTATE COMMISSION  
Department of Commerce and Consumer Affairs  
State of Hawaii  
Seventh Floor, 1010 Richards Street  
Honolulu, HI 96813

Re: NUUANU PLACE CPR  
24 Hialoa Street, Honolulu, HI 96813  
(1) 2-2-001:074

Submission for Final Public Report

Dear Commissioners:

The undersigned, being Registered Professional Engineer Number 8256-C in the State of Hawaii, hereby declares as follows:

1. I have examined the four story residential structure containing Units 21, 22, 23, 24, 25, 31, 32, 33, 34, 35, 41, 42, 43, and 44 on the above referenced property; and
2. Without invasive examination of covered components, the structures and mechanical components of the apartments identified as the above referenced Units on the condominium map appeared to be in good condition; and
3. The useful remaining life of the residential structures is estimated to be 20 years however with appropriate attention and maintenance the useful remaining life of the building should exceed 30 years for the above referenced Units as of the date hereof.

Please feel free to contact me if you should have any questions regarding the foregoing.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Lyon", is written over the typed name and title.

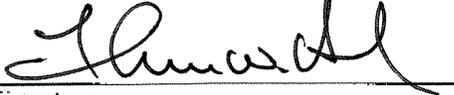
Frank James Lyon  
Registered Professional  
Engineer No. 8256-C

EXHIBIT "G"

## Initial Maintenance Fee Schedule

<u>Apt. No.</u>	<u>Type</u>	<u>Sq. Ft.</u>	<u>Percent</u>	<u>Monthly Amount</u>	<u>x 12 = Annual</u>
11	A1	283	2.6056	\$ 121.16	\$ 1453.92
12	A2	286	2.6333	122.45	1469.40
14	A1	283	2.6056	121.16	1453.92
15	A1	283	2.6056	121.16	1453.92
16	A2	286	2.6333	122.45	1469.40
17	A1	283	2.6056	121.16	1453.92
21	B	672	6.1873	287.71	3452.52
22	C	661	6.0860	283.00	3396.00
23	C	661	6.0860	283.00	3396.00
24	C	661	6.0860	283.00	3396.00
25	B	672	6.1873	287.71	3452.52
31	B	672	6.1873	287.71	3452.52
32	C	661	6.0860	283.00	3396.00
33	C	661	6.0860	283.00	3396.00
34	C	661	6.0860	283.00	3396.00
35	B	672	6.1873	287.71	3452.52
41	B	672	6.1873	287.71	3452.52
42	C	661	6.0860	283.00	3396.00
43	C	661	6.0860	283.00	3396.00
44	D	509	4.6865	<u>217.91</u>	<u>2615.04</u>
TOTAL:				\$4650.00	\$55,800.00

I, THOMAS HEI'OLEU, as agent for/and/or employed by HAWAIIANA MANAGEMENT CO., LTD., the condominium managing agent for the NUUANU PLACE condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principals based on information made available to us.

  
Signature

Date: 2/2/04

(\*) Mandatory reserves assessments and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

# Nuuanu Place

## Calendar Year 2004 Operating Budget and Reserve Study

### EXECUTIVE SUMMARY

Prepared By: Tom Heiden and Hawaiiana Management Company, Ltd on December 1, 2003

Approved by Board of Directors on January 27, 2004

#### PRESENT RESERVE LEVELS

Projected 2003 Ending Reserve Balance	\$50,000
Required End of 2003 Balance to be 100% Funded	\$32,270
Projected End of Year 2003 Percent Funding Level	154.9%

#### 2004 FULLY FUNDED MAINTENANCE FEES

Required End of Year 2004 Balance to be 100% Funded	\$46,570
Year 2004 Reserve Outlays	\$0
Year 2004 Reserve Contribution Required to be 100% Funded	(\$3,430)
Plus Projected Operating Expense	\$42,468
Less Other Income	\$0
Fully Funded Maintenance Fee	-30.0% \$39,038

#### BOARD APPROVED YEAR 2004 MAINTENANCE FEES

Operating Expenses	\$42,468
Less Other Income	\$0
Maintenance Fee Change/Amount	0.0% \$55,800
Reserve Contribution	\$13,332
Projected Funding Level/Balance at the End of Year 2004	135.99% \$63,332

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Hawaiiana Management Company, Ltd

2004 Monthly Operating Budget For

**Nuuanu Place**

Approved by Board of Directors on January 27, 2004

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DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	ANNUAL
REVENUE	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	TOTAL
MAINTENANCE FEES	4,650	4,650	4,650	4,650	4,650	4,650	4,650	4,650	4,650	4,650	4,650	4,650	55,800
<b>TOTAL REVENUE</b>	<b>4,650</b>	<b>55,800</b>											

UTILITIES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
ELECTRICITY	200	200	200	200	200	200	200	200	200	200	200	200	2,400
WATER	640		640		640		640		640		640		3,840
SEWER	810		810		810		810		810		810		4,860
<b>TOTAL UTILITIES</b>	<b>1,650</b>	<b>200</b>	<b>11,100</b>										

CONTRACT SVCS	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
PEST CONTROL	99			99			99			99			396
REFUSE	250	250	250	250	250	250	250	250	250	250	250	250	3,000
<b>TOTAL CNTRCT SVCS</b>	<b>349</b>	<b>250</b>	<b>250</b>	<b>3,396</b>									

MAINTENANCE	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
CLEANING SERVICES	400	400	400	400	400	400	400	400	400	400	400	400	4,800
CLEANING SUPPS	25	25	25	25	25	25	25	25	25	25	25	25	300
GROUNDS	90	90	90	90	90	90	90	90	90	90	90	90	1,080
ELECTRICAL/LIGHTING	90	90	90	90	90	90	90	90	90	90	90	90	1,080
PLUMBING	75	75	75	75	75	75	75	75	75	75	75	75	900
BLDG REPAIRS	250	250	250	250	250	250	250	250	250	250	250	250	3,000
<b>TOTAL MAINTENANCE</b>	<b>930</b>	<b>11,160</b>											

2004 Monthly Operating Budget For Nuuanu Place

DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	ANNUAL
PROFESSIONAL SVCS	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	TOTAL
M.A. ADMIN SUPS & SRVCS	100	100	100	100	100	100	100	100	100	100	100	100	1,200
AOAO ADMIN EXPS	40	40	40	40	40	40	40	40	40	40	40	40	480
MANAGEMENT SRVCS	573	573	573	573	573	573	573	573	573	573	573	573	6,876
AUDIT	600												600
LEGAL FEES	50		50		50		50		50		50		300
TOTAL PROF. SERVICES	1,363	713	763	713	763	713	763	713	763	713	763	713	9,456
OTHER EXPENSES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
INSURANCE	407	407	407	407	407	407	407	407	407	407	407	407	4,884
D AND O INS	63	63	63	63	63	63	63	63	63	63	63	63	756
FIDELITY BOND INS	39	39	39	39	39	39	39	39	39	39	39	39	468
UMBRELLA	84	84	84	84	84	84	84	84	84	84	84	84	1,008
GENERAL EX TAX	10	10	10	10	10	10	10	10	10	10	10	10	120
STATE INC TAX	10	10	10	10	10	10	10	10	10	10	10	10	120
TOTAL OTHER EXP.	613	613	613	613	613	613	613	613	613	613	613	613	7,356
TOTAL OP EXPENSE	4,905	2,706	4,206	2,805	4,206	2,706	4,305	2,706	4,206	2,805	4,206	2,706	42,468
SURPLUS (-DEFICIT)	-255	1,944	444	1,845	444	1,944	345	1,944	444	1,845	444	1,944	13,332

Management Executive: Tom Heiden of Hawaiiana Management Company, Ltd

							M. FEE	RES.	MAINT.
First Plan Year - Calendar	2004	Reference Year	2003	THE MODEL'S FINDINGS FOR % FUNDING		2003 Deficit	CHANGE	ONTR	FEEES
Final Plan Year	2023			100% Reserve Funding	100%	-17,730	-30.0%	####	39,038
2003 Maintenance Fees	55,800	2004 Maint Fees	55,800	Desired Reserve Funding Level	50%	-33,865	-71.8%	####	15,753
2003 Other Income		2004 Othr Inc		Minimum Reserve Funding Level	50%	-33,865	-71.8%	####	15,753
2003 Operating Expenses		2004 Exp	42,468	EOY 2004 Funding % @ Approved Le	135.99%			####	55,800
2003 Reserve Contribution	55,800	2004 Contribution	13,332	Condition Codes	Source Codes		Source Codes		
Projected Reserves At Start of 2004	50,000	Target Funding Le	50%	EXCELNT	E	Contractor Proposal	1	Cost at Similar Project	5
Projected Reserve % at Start of 2004	154.9%	Tgt Ann Contrib	6,897	GOOD	G	Contractor Estimate	2	Statistical Guideline	6
Minimum Inflation	1.1%	Req Contrib-Tgt	(26,968)	FAIR	F	Engineer/Arch Estimate	3		
Projected Savings Interest	2.0%	Appv % Chg in MF		POOR	P	Cost When Last Done	4		

CAPITAL INVENTORY		NORM	DONE	LAST	CO	NEXT	COST	COST	FUNDING	EOY	
ITEM	TYPE	LIFE	LAST	COST	ND	DUE DATE	NOW	SRC	ROMNT	RES	DEFICIT
Roof 24 Hialoa-recreation	renovation	10	1996	10000		2006	10,000		7,000	####	
Plumbing-1	repair	25	1984	7500		2009	1,000		760	760	
Electrical-1	repair	25	1984	7500		2009	1,000		760	760	
Spalling	concrete	10	2000	50000		2010	25,000		7,500	####	
Paint-exterior-bldg 18	repaint	7	2003	25000		2010	25,000				
Roof 24 Hialona	built-up	20	1990	20000		2010	20,000		13,000	####	
Railings	repiar	20	1990	50000		2010	5,000		3,250	####	
Paint-exterior-bldg 24	repaint	8	2003	25000		2011	25,000				
Light Fixtures	replace	10	2003	5000		2013	10,000				
Sidewalk	repair	10	2003	12000		2013	6,000				
Parking Lot Covered	asphalt	15	2003	30000		2018	10,000			####	-17,730

2003 End Yr Totals

138,000

32,270 ####

(17,730)

Nuuanu Place

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Board Approved 2004 Cash Flow Plan

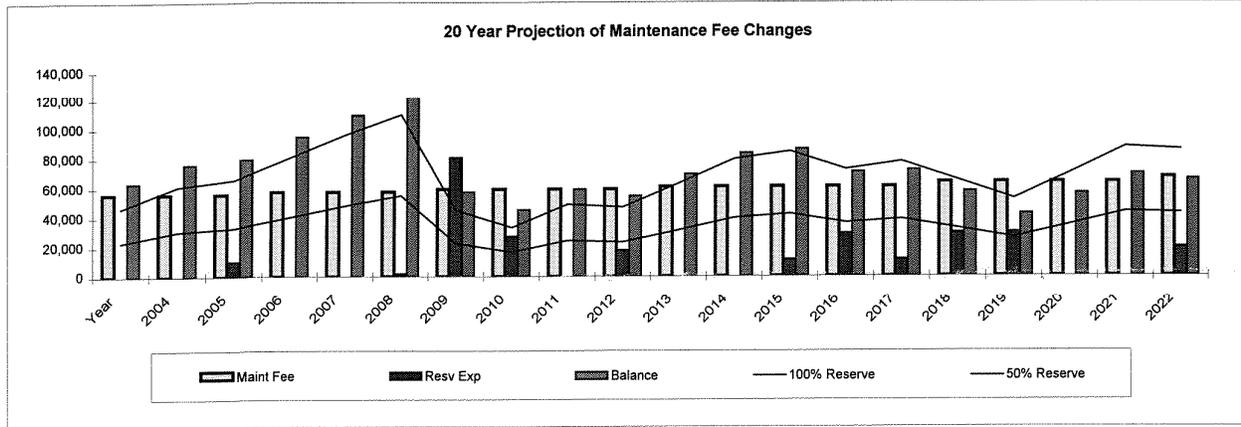
Prepared By: Tom Heiden and Hawaiiana Management Company, Ltd

Maintenance Fee Plan to Accomplish All Known Improvements and Repairs For Next 20 Years

At the Beginning of Calendar Year 2004, Nuuanu Place Will Be 154.9 Percent Funded.

Assumed Rate of Inflation: 1.1%

Assumed Savings Interest Rate: 2%



Contingency Reserve Fun \$0

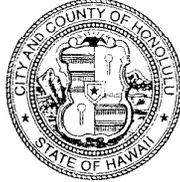
CY	Starting	-Reserve	-Loan	-Operating	+Maint.	+Other	+Interest	=Ending	% Maint. Fee	Net Reserve	Percent
Year	Balance	Expense	Payments	Expenses	Fees	Income	Income	Balance	Change	Contrib.	Funded
2004	50,000	0	0	42,468	55,800	0	Included	63,332	0.00%	13,332	136%
2005	63,332	0	0	42,935	55,800	0	1,395	77,592	0.0%	12,865	127%
2006	77,592	10,334	0	43,407	55,800	0	1,572	81,223	0.0%	2,059	123%
2007	81,223	0	0	43,885	57,474	0	1,760	96,573	3.0%	13,589	119%
2008	96,573	0	0	44,368	57,474	0	2,063	111,741	0.0%	13,106	116%
2009	111,741	2,136	0	44,856	57,474	0	2,340	124,563	0.0%	10,482	113%
2010	124,563	80,970	0	45,349	59,198	0	1,820	59,263	3.0%	(67,121)	131%
2011	59,263	27,287	0	45,848	59,198	0	1,046	46,372	0.0%	(13,937)	139%
2012	46,372	0	0	46,352	59,198	0	1,056	60,274	0.0%	12,846	123%
2013	60,274	17,850	0	46,862	59,198	0	1,150	55,910	0.0%	(5,514)	119%
2014	55,910	0	0	47,378	60,974	0	1,254	70,761	3.0%	13,597	112%
2015	70,761	0	0	47,899	60,974	0	1,546	85,382	0.0%	13,075	107%
2016	85,382	11,529	0	48,426	60,974	0	1,718	88,119	0.0%	1,019	104%
2017	88,119	29,138	0	48,958	60,974	0	1,591	72,588	0.0%	(17,122)	100%
2018	72,588	11,783	0	49,497	60,974	0	1,449	73,731	0.0%	(306)	95%
2019	73,731	29,783	0	50,041	64,023	0	1,317	59,246	5.0%	(15,801)	90%
2020	59,246	30,110	0	50,592	64,023	0	1,018	43,586	0.0%	(16,679)	83%
2021	43,586	0	0	51,148	64,023	0	1,000	57,461	0.0%	12,875	82%
2022	57,461	0	0	51,711	64,023	0	1,272	71,045	0.0%	12,312	81%
2023	71,045	19,914	0	52,280	67,224	0	1,371	67,446	5.0%	(4,970)	78%

EXHIBIT "H"

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

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

JEREMY HARRIS  
MAYOR



ERIC G. CRISPIN, AIA  
DIRECTOR

BARBARA KIM STANTON  
DEPUTY DIRECTOR

2003/ELOG-2705(AS)

October 1, 2003

Mr. Michael H. Sakai  
Attorney at Law  
902 City Financial Tower  
201 Merchant Street  
Honolulu, Hawaii 96813-2929

Dear Mr. Sakai:

Subject: Condominium Conversion Project  
24 Hialoa Street  
Tax Map Key: 2-2-001: 074

This is in response to your letter dated August 1, 2003 requesting verification that the structures at the above-mentioned property met all applicable code requirements at the time of construction.

Investigation revealed that the two-story six-unit apartment building and the four-story sixteen-unit apartment building, with a total of 22 all-weather surface off-street parking spaces, met all applicable code requirements when they were constructed in 1959 and 1972, respectively, on this 12,310-square foot A-1 Apartment zoned lot.

The six-unit apartment building (setback) and the number of off-street parking spaces (22) are considered nonconforming.

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

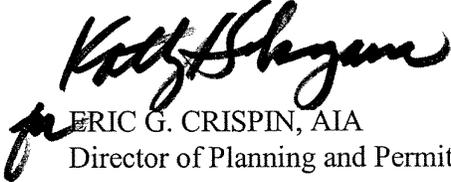
For your information, the Department of Planning and Permitting cannot determine all other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes.

Mr. Michael H. Sakai  
October 1, 2003  
Page 2

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:ft  
Doc 250039