CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer LaeRoc Waikiki Parkside, LLC
Address 1334 Park View Avenue, Suite 240, Manhattan Beach, California 90266

Project Name (*): PALMS AT WAIKIKI
Address: 1850 Ala Moana Boulevard, Honolulu, Hawaii 96815

Registration No. 5373 (Conversion)

Effective date: October 21, 2004 (as to all Apartments except for Apartments 1205, 1207, 1208, 1209 and 1210)

Expiration date: November 21, 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 government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

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

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

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

Type of Report:

_____ **PRELIMINARY: (yellow)** The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.

__X__ **FINAL: (white)** The developer has legally created a condominium and has filed complete information with the Commission.
[ ] No prior reports have been issued.
[X] This report supersedes all prior public reports.
[ ] This report must be read together with _____

_____ **SUPPLEMENTARY: (pink)** This report updates information contained in the:
[ ] Preliminary Public Report dated: _____
[ ] Final Public Report dated: _____
[ ] Supplementary Public Report dated: _____

And
[ ] Supercedes all prior public reports.
[ ] Must be read together with _____
[ ] This report reactivates the _____ public report(s) which expired on _____

(*) Exactly as named in the Declaration

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request. FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[ ] Required and attached to this report [X] Not Required – Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

[X] No prior reports have been issued by the developer.

[ ] Changes made are as follows:

SPECIAL ATTENTION

This is a **CONDOMINIUM PROJECT**, not a subdivision. It does not involve the sale of individual subdivided lots. The land area beneath and immediately appurtenant to each unit is designated a **LIMITED COMMON ELEMENT** and not a legally subdivided lot. The dotted lines on the condominium Map bounding the designated number of square feet in each limited common element land area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

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

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

3. The project has been created with two hundred and sixty eight (268) units, six (6) of which are commercial apartments. This public report is effective as to all Apartments in the Project except for Apartments 1205, 1207, 1208, 1209 and 1210 that are currently pending issuance of a building permit for the completion of construction thereof, and are to be covered by a separate contingent final public report. It is the intent of the developer to obtain a final public report as to such apartments once building permits have been issued therefor and certificates of occupancy for such apartments have been obtained. In the event that building permits cannot be obtained prior to the expiration of the effective date for any contingent final public report issued by the Real Estate Commission pertaining to Apartments 1205, 1207, 1208, 1209 and 1210, the Developer will amend the Declaration to withdraw such apartments from the operation of the Declaration and the common interests pertaining to such apartments will be allocated to Commercial Apartment M101 of the Project or to any other Apartment in the Project owned by Developer. The physical areas of such withdrawn apartments shall be thereafter designated as Limited Common Elements appurtenant to Commercial Apartment M101 or to any other Apartment in the Project owned by Developer. Accordingly, in the event of such withdrawal, the common interests of all other Apartments in the Project will remain unaffected. All owners in accepting their apartment deeds for the conveyance of an apartment shall appoint the Developer as their attorney-in-fact in order to effect any amendment to the Declaration necessary to withdraw such apartments from the operation of the Declaration.

4. THE PROJECT AND IMPROVEMENTS WERE ORIGINALLY CONSTRUCTED IN THE LATE 1960s AND THEREFORE, ARE IN EXCESS OF THIRTY (30) YEARS OLD. THEREFORE, CERTAIN MECHANICAL, ELECTRICAL, AND PLUMBING INSTALLATIONS, INCLUDING WITHOUT LIMITATION, AIR-CONDITIONING EQUIPMENT, PIPING INSULATION, DUCTS ETC. WILL HAVE TO BE REPAIRED AND OR REPLACED IN THE FUTURE. THE DEVELOPER HAS OBTAINED A RESERVE STUDY DATED MAY 10, 2004 PREPARED BY ARMSTRONG CONSULTING, INC. SETTING FORTH THE REMAINING USEFUL LIVES AND ESTIMATED REPLACEMENT COSTS OF VARIOUS COMPONENTS OF THE PROJECT. PROSPECTIVE PURCHASERS SHOULD REVIEW SUCH RESERVE STUDY IN FULL. A COPY OF THE RESERVE STUDY IS ATTACHED TO THIS REPORT AS EXHIBIT L. OWNERS OF APARTMENTS IN THE PROJECT WILL HAVE TO FUND RESERVES TO PAY FOR THE REPLACEMENT OF THE ITEMS SET FORTH IN THE RESERVE STUDY AND ANY OTHER COSTS INCURRED IN THE

5. PROJECT. THE DEVELOPER MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER REGARDING THE ESTIMATED USEFUL LIVES OF PROJECT COMPONENTS OR THE REPLACEMENT COST ESTIMATES SET FORTH IN THE RESERVE STUDY.

6. THE DEVELOPER HAS DISCLOSED THAT THE APARTMENTS IN THE PROJECT WILL BE OFFERED AND SOLD **WITHOUT WARRANTIES** FROM THE DEVELOPER AS TO THE HABITABILITY, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR USE OR PURPOSE, WORKMANSHIP, MATERIALS, OR DEFECTS OF ANY KIND AND WITHOUT ANY OTHER EXPRESS OR IMPLIED WARRANTIES WITH REGARD TO THE APARTMENT AND ANY FURNISHINGS, FIXTURES OR APPLIANCES IN APARTMENT, THE PROJECT OR ANY OF THE COMMON ELEMENTS OR LIMITED COMMON ELEMENTS. EACH APARTMENT SHALL BE SOLD BY THE DEVELOPER AND ACCEPTED BY THE PURCHASER STRICTLY IN "**AS IS**" CONDITION AS OF THE DATE OF CLOSING. NO REPRESENTATIONS OF ANY KIND ARE MADE ABOUT INCOME POTENTIAL OR FINANCIAL BENEFITS FROM OWNERSHIP.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW PAGES 20 THROUGH 20i HEREOF AND THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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General Information On Condominiums

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

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenant) 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 term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: LaeRoc Waikiki Parkside, LLC — Phone: (310) 796-1484 (Business)
Name*
1334 Park View Avenue, Suite 240
Business Address
Manhattan Beach, California 90266

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):
LaeRoc Partners Inc. – Manager Its Officers/directors are:
Kim Alan Benjamin – President, CEO, CFO, Director
Peter S. Morgan – Executive Vice President
Mallory Eve Benjamin - Secretary

Real Estate Broker*: Coldwell Banker Pacific Properties, Ltd. — Phone: (808) 597-5550 (Business)
Name
1314 S. King Street, 2nd Floor
Business Address
Honolulu, Hawaii 96814

Escrow: Fidelity National Title Insurance Company Inc. — Phone: (808) 536-0404 (Business)
Name
201 Merchant Street, Suite 2100
Business Address
Honolulu, Hawaii 96813

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

Condominium Managing Agent*: Paulin Group, LLC — Phone: (808) 942-7722 (Business)
Name
1700 Ala Moana Boulevard
Business Address
Honolulu, Hawaii 96815

Attorney for Developer: Imanaka Kudo and Fujimoto, Mitchell A. Imanaka — Phone: (808) 521-9500 (Business)
Name
745 Fort Street, 17th Floor
Business Address
Honolulu, Hawaii 96813

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

II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominiums 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. _____
			Book _____ Page _____
[X]	Filed -	Land Court:	Document No. 3182364

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

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 project is:

[ ]	Proposed	
[ ]	Recorded -	Bureau of Conveyances Condo Map No. _____
[X]	Filed -	Land Court Condo Map No. 1674

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

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

The Bylaws for this condominium are:

[ ]	Proposed		
[ ]	Recorded -	Bureau of Conveyances:	Document No. _____
			Book _____ Page _____
[X]	Filed -	Land Court:	Document No. 3182365

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

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

The House Rules for this condominium are:

[ ] Proposed [X] Adopted [ ] Developer does not plan to adopt House Rules

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

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

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

* 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.

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

See Exhibit "A"

III. THE CONDOMINIUM PROJECT

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

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

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

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

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

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

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

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

For Sub-leaseholds:

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

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

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

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

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

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

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

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

[ ] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. **Underlying Land:**

Address: 1850 Ala Moana Boulevard
Honolulu, Hawaii 96815

Tax Map Key (TMK): (1) 2-6-012-003

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

Land Area: 7,778 [X] square feet [ ] acre(s) Zoning: Apartment Mixed Use

Fee Owner: LaeRoc Waikiki Parkside LLC
Name

1334 Parkview Avenue, Suite 240
Address

Manhattan Beach, California 90266

Lessor: N/A
Name

Address

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 1 Floors Per Building: 15

[ ] Exhibit _____ contains further explanations.

3. Principal Construction Material:

[X] Concrete [ ] Hollow Tile [ ] Wood

[X] Other Glass, Metal stud demising walls

4. Uses Permitted by Zoning:

		No. of Apts.	Use Permitted By Zoning	
[ ]	Residential		[ ] Yes	[ ] No
[X]	Commercial	6	[X] Yes	[ ] No
[ ]	Mix Res/Comm		[ ] Yes	[ ] No
[X]	Hotel	262	[X] Yes (Legal Nonconforming)	[ ] No
[ ]	Timeshare		[ ] Yes	[ ] No
[ ]	Ohana		[ ] Yes	[ ] No
[ ]	Industrial		[ ] Yes	[ ] No
[ ]	Agricultural		[ ] Yes	[ ] No
[ ]	Recreational		[ ] Yes	[ ] No
[ ]	Other		[ ] Yes	[ ] No

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

5. Special Use Restrictions

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

[X] Pets: No pets permitted to be kept in the Project; provided that certified seeing eye dogs, signal dogs and service dogs for physically impaired persons are permitted.

[ ] Number of Occupants: _____

[X] Other: See Declaration and the House Rules adopted May 11, 2004, a copy of which is available for purchaser's inspection

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers): See Exhibit "B"

Elevators: 3 Stairways: 3 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
See Exhibit "B"					
Hotel units	262				
Commercial	6				

Total Number of Apartments: 268

*** 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: See Exhibit "C"

Permitted Alterations to Apartments: See Exhibit "D"

Apartments Designated for Owner-Occupants Only: **Not Applicable**
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 the public report and in the announcement (see attachment 11a). Developer has not elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 142 (all appurtenant to Apartment M101)

	Regular		Compact		Tandem		
	Covered	Open	Covered	Open	Covered	Open	TOTAL
Assigned (for each unit)	75		62				137
Guest							
Unassigned							
Extra for Purchase							
Other: Accessible	5						5
Total Covered & Open:	80		62		0		142

Each apartment will have the non-exclusive use of a least 0 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.

[X] Exhibit K contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

[ ] There are no recreational or common facilities

[X] Swimming pool [ ] Storage Area [ ] Recreational Area

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

[X] Other: Fitness Room

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

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

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

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

Not applicable because all apartments are intended for hotel or commercial uses. Purchasers are directed to Exhibit L and the Reserve Study for the Project which addresses the anticipated useful life of the components of the Project and the expected costs to replace the same in the future. The Developer makes no representation or warranty whatsoever regarding the accuracy of the Reserve Study.

11. Conformation to Present Zoning Code

a. [X] No variances to zoning code have been granted.

[ ] Variances(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 conform to present zoning requirements.

	Conforming	Non-Conforming	Illegal
Uses		X*	
Structures	X		
Lot	X		

*Hotel use is a legal non-conforming use in the Project.

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

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

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

[X] described in Exhibit "E".

[ ] as follows:

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

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

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

[X] described in Exhibit "E".

[ ] as follows:

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

[X] described in Exhibit "B"

[ ] as follows:

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 "F" describes the encumbrances against title contained in the title report dated October 20, 2004 and issued by Fidelity National Title Insurance Company.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of 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.

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed **Prior to Conveyance**
Existing Mortgage(s)	The project is presently subject to that certain mortgage dated October 19, 2004, made by Developer in favor of First Hawaiian Bank, a Hawaii corporation, recorded in said Office as Document No. 3181667. Upon conveyance of an apartment to a purchaser, the existing mortgage will be released as to the apartment being conveyed. If there is a default and foreclosure of the existing mortgage prior to conveyance, the purchaser may lose the right to buy the apartment, but will receive his/her money back.

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:

As the Project was completed over thirty (30) years ago by a prior unrelated developer, the Developer makes no representations or warranties about the Building and improvements and any repairs made thereto, and confirms that the apartments are being sold strictly in "as is" condition as of the date of closing. Certain apartments are being reconfigured as indicated on the Condominium Map, however, the Developer makes no representations or warranties whatsoever, express or implied, as to the condition of the apartments, common elements or any improvements comprising part of the Project, as to the habitability or merchantability of any apartment or the Project, or as to the fitness of the apartments, the common elements and the project for any particular use or purpose. The Developer will assign to purchasers at closing any assignable warranty with respect to purchaser's apartment that is given by the repairing contractor to the extent such warranties are assignable.

2. Appliances:

The Developer makes no representation or warranties whatsoever as to any appliances, fixtures or furnishings conveyed together with an apartment or otherwise used or owned in common by the association or apartment owners of the Project. Developer will assign any such warranties for new appliances installed in apartments given by the manufacturer to the extent such warranties are assignable.

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

The Project was originally completed in 1968. It is anticipated that renovations to the Project by the present Developer will be completed in December of 2004.

H. **Project Phases:**

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

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

N/A

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 is 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 of less.

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

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

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

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

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

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

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 [X] Electricity (X Common Elements only ___ Common Elements & Apartments)

[X] Gas (X Common Elements only ___ Common Elements & Apartments)

[X] Water [X] Sewer [X] Television Cable

[X] Other Refuse

V. MISCELLANEOUS

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

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

[ ] Notice to Owner Occupants

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

[X] Escrow Agreement dated May 11, 2004
Exhibit "I" contains a summary of the pertinent provisions of the escrow agreement.

[X] Other Exhibit "J" contains a summary of the pertinent provisions of the apartment deed.

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 binging. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to $250.00.

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

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

A) The Developer delivers to the buyer a copy of:
   1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
   2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer has signed an opportunity to read the report(s); **AND**

C) One of the following has occurred:
   1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
   2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
   3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**

B) The buyer has not waived the right to rescind.

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

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

A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
B) Declaration of Condominium Property Regime, as amended.
C) Bylaws of the Association of Apartment Owners, as amended.
D) House Rules, if any.
E) Condominium Map, as amended.
F) Escrow Agreement.
G) Hawaii's Condominium Property Act (Chapter 514A, HRS as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
H) Other Reserve Study, a Summary of which is attached as Exhibit L and a copy of which has been or will be given to buyer for examination.

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
Website to access unofficial copy of laws: www.hawaii.gov/dcca/hrs
Website to access rules: www.hawaii.gov/dcca/har

This Public Report is a part of Registration No. 5373 filed with the Real Estate Commission on May 12, 2004.

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

C. **Additional Information Not Covered Above.** The following additional disclosures are summaries only of certain disclosures set forth in the Purchase Agreement. Purchasers are advised to review such disclosures in full before deciding to purchase an Apartment in the Project.

1. **Seller Makes No Warranties or Promises.** PURCHASER ACKNOWLEDGES THAT ALTHOUGH SELLER HAS UNDERTAKEN CERTAIN RENOVATIONS TO THE APARTMENTS AND COMMON ELEMENTS OF THE PROJECT, SELLER IS NOT THE ORIGINAL DEVELOPER OF THE PROJECT AND WAS NOT INVOLVED IN (AND IS NOT RESPONSIBLE FOR) THE ORIGINAL PLANNING OR CONSTRUCTION OF THE PROJECT. PURCHASER FURTHER ACKNOWLEDGES THAT THE PROJECT WAS SUBSTANTIALLY COMPLETED IN THE LATE 1960s AND HAS BEEN USED OVER THE YEARS PRIMARILY FOR HOTEL PURPOSES. PURCHASER UNDERSTANDS AND AGREES THAT THE APARTMENT IS BEING SOLD **"AS IS, WHERE IS" WITH ALL FAULTS** AND THAT SELLER DISCLAIMS AND MAKES NO WARRANTIES OR PROMISES OF ANY KIND, EXPRESS OR IMPLIED, ABOUT THE APARTMENT, THE LAND UNDERLYING THE PROJECT (THE "LAND") OR THE PROJECT (INCLUDING THE COMMON ELEMENTS OF THE PROJECT), OR ABOUT ANY FURNISHINGS, FIXTURES, APPLIANCES OR OTHER CONSUMER PRODUCTS, MECHANICAL SYSTEMS, PLUMBING SYSTEMS, ELECTRICAL SYSTEMS, COOLING OR HEATING SYSTEMS OR ANYTHING ELSE INSTALLED, ATTACHED, AFFIXED OR OTHERWISE CONTAINED IN THE APARTMENT, THE LAND OR THE PROJECT (INCLUDING THE COMMON ELEMENTS OF THE PROJECT), INCLUDING ANY WARRANTIES OR PROMISES OF "HABITABILITY", "MERCHANTABILITY", "WORKMANSHIP" OR "FITNESS FOR A PARTICULAR USE OR PURPOSE".

WITHOUT LIMITING THE GENERALITY OF ANY OF THE FOREGOING, SELLER DISCLAIMS AND MAKES NO WARRANTIES OR PROMISES: (A) THAT THE PROJECT OR ANY IMPROVEMENTS IN THE APARTMENT, THE LAND OR THE PROJECT (INCLUDING THE COMMON ELEMENTS) WILL BE FREE FROM CRACKS IN, OR OTHER DAMAGE TO, THE CONCRETE OR OTHER BUILDING MATERIALS; (B) REGARDING THE VALUE, QUALITY, GRADE OR USEFUL LIFE OF THE APARTMENT, THE PROJECT OR ANYTHING INSTALLED, ATTACHED, AFFIXED OR OTHERWISE CONTAINED IN THE APARTMENT, THE LAND OR THE PROJECT (INCLUDING THE COMMON ELEMENTS OF THE PROJECT); (C) REGARDING THE STRUCTURAL, PHYSICAL OR ENVIRONMENTAL HISTORY OR CONDITION OF THE PROJECT, INCLUDING, WITHOUT LIMITATION, ANY DEFERRED MAINTENANCE AT THE PROJECT; OR (D) REGARDING THE SUITABILITY, CONFORMANCE, COMPLIANCE OR LACK OF COMPLIANCE OF THE PROJECT WITH ANY STATE, FEDERAL, COUNTY OR LOCAL LAW, CODE, ORDINANCE, ORDER, PERMIT, ADMINISTRATIVE REQUIREMENT, OR REGULATION, INCLUDING, WITHOUT LIMITATION, THOSE RELATED TO THE CONSOLIDATION AND SUBDIVISION OF LAND, THE OPERATION AND USE OF THE PROJECT AND ACCESSIBILITY OF THE PROJECT BY PERSONS WITH DISABILITIES. IN OTHER WORDS, SELLER MAKES NO WARRANTIES OR PROMISES AT ALL.

PURCHASER FOR ITSELF AND ITS SUCCESSORS, HEIRS AND ASSIGNS, RELEASES SELLER AND ITS AFFILIATES, AND EACH OF THEM AND THEIR RESPECTIVE PAST, PRESENT AND FUTURE MEMBERS, MANAGERS, DIRECTORS, OFFICERS, SHAREHOLDERS, EMPLOYEES, PROPERTY MANAGERS, AGENTS, VENDORS, CONSULTANTS, CONTRACTORS AND EACH OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS (HEREAFTER THE "RELEASED PARTIES") FROM (AND WAIVES ANY CLAIM, ACTION OR LIABILITY WHICH ARISES FROM OR RELATES TO) ANY LATENT OR PATENT DEFECT IN ANY PART OF THE PROJECT OR THE APARTMENT, KNOWN OR UNKNOWN, WHICH EXISTS NOW OR IN THE FUTURE, OR WHICH ARISES FROM OR RELATES TO ANY LACK OF COMPLIANCE OF THE PROJECT WITH ANY STATE, FEDERAL, COUNTY OR LOCAL LAW, CODE, ORDINANCE, ORDER, PERMIT, ADMINISTRATIVE REQUIREMENT, OR REGULATION, THAT PURCHASER MAY HAVE

AGAINST SELLER UNDER ANY FEDERAL, STATE OR LOCAL LAW, ORDINANCE, RULE OR REGULATION NOW EXISTING OR HEREAFTER ENACTED OR PROMULGATED, INCLUDING, WITHOUT LIMITATION, THOSE RELATED TO ASBESTOS, ASBESTOS-CONTAINING MATERIALS, LEAD-BASED OR LEAD-CONTAINING PAINT, HAZARDOUS MATERIALS AND ENVIRONMENTAL CONDITIONS OR MATTERS (INCLUDING THE PRESENCE OF MOLD OR MILDEW) IN, ON, UNDER, ABOUT OR MIGRATING FROM OR ONTO OR INTO THE PROJECT, OR BY VIRTUE OF ANY COMMON LAW RIGHT RELATING TO ASBESTOS, ASBESTOS-CONTAINING MATERIALS, LEAD-BASED OR LEAD-CONTAINING PAINT, HAZARDOUS MATERIAL AND ENVIRONMENTAL CONDITIONS OR MATTERS (INCLUDING THE PRESENCE OF MOLD OR MILDEW) IN, ON, UNDER ABOUT OR MIGRATING FROM OR ONTO OR INTO THE PROJECT. SELLER AND PURCHASER AGREE THAT THIS RELEASE FROM LIABILITY HAS BEEN SPECIFICALLY NEGOTIATED BETWEEN SELLER AND PURCHASER.

PURCHASER ACKNOWLEDGES AND AGREES THAT SELLER'S DISCLAIMER OF WARRANTIES AND REPRESENTATIONS CONTAINED IN THIS SECTION 1 IS AN ESSENTIAL ELEMENT IN SELLER'S DETERMINATION OF THE PURCHASE PRICE FOR THE APARTMENT BEING SOLD TO PURCHASER. THIS MEANS THAT THE APARTMENT WOULD NOT HAVE BEEN SOLD TO PURCHASER FOR THE AMOUNT OF THE PURCHASE PRICE STATED IN THE PURCHASE AGREEMENT WITHOUT SELLER'S DISCLAIMER OF WARRANTIES AND REPRESENTATIONS.

2. **Purchaser's Inspection and Acceptance of the Apartment**. On a date specified by Seller, Purchaser (or Purchaser's agent or representative) may inspect Purchaser's Apartment. Such inspection may include evaluation and testing by licensed professionals with respect to the physical and environmental conditions in the Apartment and the Project, provided such inspection does not cause unreasonable interference with the use and enjoyment of the Project by the occupants or cause any property damage. Purchaser gives up all rights to inspect if Purchaser (or Purchaser's agent or representative) does not inspect Purchaser's Apartment on the date and at the time set by Purchaser and Seller.

An inspection sheet will be provided at the inspection on which Purchaser may list any defects or damages to the Apartment. Seller shall cooperate with, and assist Purchaser in having listed defects or damages corrected or repaired. Purchaser agrees to close the sale of the Apartment on time and accept possession of the Apartment even if there are defects or damages to the Apartment or anything in it, as long as the Apartment is not rendered uninhabitable thereby. Purchaser agrees that inspection of the Project, the Land or the Apartment (including its furnishings, fixtures or appliances) is not required for closing to take place.

Purchaser shall have ten (10) days from Seller's Execution Date of the Purchase Agreement to perform or engage a professional consultant to inspect the common elements of the Project at Purchaser's option and expense.

Purchaser promises to protect Seller from any loss or damage, including interest and attorneys' fees, resulting from Purchaser's failure to close the sale of the Apartment or to accept possession of the Apartment as required above. If Purchaser refuses to close the sale of the Apartment or to accept the Apartment as required by the Purchase Agreement, Purchaser will be in default under the Purchase Agreement and Seller may, in Seller's sole discretion, (a) cancel the Purchase Agreement and refund the Purchaser's deposit, or (b) charge a late fee of one percent (1%) per month on the total Purchase Price, or (c) exercise any of Seller's rights described in Section 15 of the Purchase Agreement.

3. **Seller Makes No Promises or Warranty About the Condominium Map**. The Condominium Map for the Project which is recorded in the Office of the Registrar of the Land Court of the State of Hawaii is intended to show only the layout, location, apartment numbers and approximate dimensions of the apartments and the elevations of the Building. PURCHASER AGREES THAT

NEITHER THE CONDOMINIUM MAP NOR THE BUILDING PLANS AND SPECIFICATIONS FOR THE PROJECT ARE INTENDED TO CONSTITUTE ANY WARRANTIES OR PROMISES BY SELLER.

4. **Seller Makes No Promises or Warranty About the Amount of Monthly Maintenance Fees.** Purchaser has examined and approved the estimate of monthly maintenance fees and assessments for the Project prepared by the Managing Agent and shown in the Public Report. Purchaser is aware that such amounts are only estimates and may change for reasons beyond the control of Seller, and Purchaser hereby specifically accepts and approves any changes in such estimate made by Seller or the Managing Agent. PURCHASER AGREES THAT SUCH ESTIMATES ARE NOT INTENDED TO BE AND DO NOT CONSTITUTE ANY WARRANTY OR PROMISE BY SELLER, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OR PROMISE AS TO THE ACCURACY OF SUCH ESTIMATES.

5. **Seller makes No Promises or Warranty About Third-Party Reports**. Seller makes no warranty or representation whatsoever that Seller has provided all studies, reports, tests or other written investigations that may pertain to the condition of the Apartments and the other areas of the Building, Land or the Project. To the extent that Seller may have hired or commissioned any study, test or other investigation of the condition, useful life, legal compliance or any other matter relating to the Apartments, the Land, the Project, or any furnishings, fixtures, appliances or other consumer products or anything else installed, attached, affixed or otherwise contained in the Apartments, the Land or the Project, and to the extent Seller may make the results of any such study, test or investigation available to Purchaser in connection with the offer or sale of the Project, Seller disclaims and makes no warranty or promise regarding the accuracy, reliability or value of any statement or opinion expressed by such third-party. PURCHASER AGREES THAT PURCHASER'S USE OR CONSIDERATION OF ANY SUCH INFORMATION IN CONNECTION WITH THE OFFER OR SALE OF THE APARTMENT SHALL BE AT PURCHASER'S SOLE RISK.

6. **Seller Makes No Promises About Rentals or Other Economic Benefits**. PURCHASER AGREES THAT NEITHER SELLER NOR ANY SALESPERSON, OR OTHER PERSON AFFILIATED WITH OR IN ANY WAY RELATED TO SELLER HAS TALKED TO PURCHASER AT ALL ABOUT ANY RENTAL INCOME OR RENTAL, MANAGEMENT OR SALES SERVICES FOR PURCHASER'S APARTMENT. IF PURCHASER WANTS TO RENT OR SELL THE APARTMENT, HOW PURCHASER DOES IT WILL BE UP TO PURCHASER. PURCHASER ALSO AGREES THAT NEITHER SELLER NOR ANY SALESPERSON OR OTHER PERSON AFFILIATED WITH OR IN ANY WAY RELATED TO SELLER HAS TALKED TO PURCHASER 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. PURCHASER IS ADVISED TO CONTACT HIS OR HER OWN ADVISERS ON ALL SUCH MATTERS.

7. **Securities And Disclosure Laws Or Regulations**. PURCHASER AGREES THAT SELLER MAY, AS A REQUIREMENT FOR CLOSING, REQUIRE PURCHASER, ANY SALESPERSON, OR ANYONE ELSE CONNECTED WITH THE OFFER TO SELL AND THE SALE OF THE APARTMENT, TO SIGN AND DELIVER TO SELLER ADDITIONAL DOCUMENTS, INCLUDING, WITHOUT LIMITATION, WAIVERS, AFFIDAVITS OR OTHER DOCUMENTS AS MAY BE REQUIRED BY SELLER FROM TIME TO TIME, TO SATISFY SELLER THAT THE OFFER TO SELL AND THE SALE OF THE APARTMENT IS NOT IN VIOLATION OF ANY FEDERAL OR STATE SECURITIES LAWS OR REGULATIONS.

PURCHASER AGREES THAT IF SELLER DETERMINES IN ITS SOLE DISCRETION THAT THERE HAS BEEN A VIOLATION OR AN ALLEGED VIOLATION OF ANY FEDERAL OR STATE SECURITIES LAWS OR REGULATIONS (WHETHER BY PURCHASER, SELLER OR ANY THIRD PARTIES), SELLER'S INJURY CAUSED BY SUCH VIOLATION OR

ALLEGED VIOLATION WILL BE UNCERTAIN AS TO NATURE AND AMOUNT AND WILL BE DIFFICULT AND EXPENSIVE TO DETERMINE. BECAUSE OF THIS, PURCHASER AGREES THAT SELLER MAY OBTAIN AN INJUNCTION (IN OTHER WORDS, A COURT ORDER) FROM A COURT PROHIBITING ANY ACTS BY PURCHASER WHICH GIVE RISE TO SUCH VIOLATION. SELLER MAY ALSO TAKE ADVANTAGE OF ANY OF SELLER'S RIGHTS DESCRIBED IN SECTION 15 OF THE PURCHASE AGREEMENT. ALL OF SELLER'S COSTS, INCLUDING REASONABLE ATTORNEYS' FEES, INCURRED BECAUSE OF PURCHASER'S ACTIONS IN VIOLATION OF ANY FEDERAL OR SECURITIES LAWS OR REGULATIONS, WILL BE PAID BY PURCHASER.

PURCHASER ALSO AGREES THAT IF PURCHASER CLAIMS THERE HAS BEEN ANY VIOLATION OF ANY FEDERAL OR STATE SECURITIES OR DISCLOSURE LAWS OR REGULATIONS (INCLUDING THE CONDOMINIUM PROPERTY ACT) CONNECTED WITH THE OFFER OR SALE OF THE APARTMENT, THE INJURY CAUSED BY SUCH VIOLATION WILL BE DIFFICULT AND EXPENSIVE TO DETERMINE. BECAUSE OF THIS, PURCHASER AGREES THAT PURCHASER'S ONLY REMEDIES WILL BE (1) TO SUE FOR SPECIFIC PERFORMANCE, WITH A FULL WAIVER OF ANY DAMAGES, OR (2) TO SUE FOR A REFUND OF THE TOTAL PURCHASE PRICE AND CLOSING COSTS ACTUALLY PAID, PLUS INTEREST AT THE RATE OF EIGHT PERCENT (8%) PER YEAR FROM THE FINAL CLOSING DATE UNTIL THE DATE OF REPAYMENT. IF PURCHASER ELECTS TO SUE FOR A REFUND AND ESTABLISHES SELLER'S LIABILITY UNDER THIS PARAGRAPH, SUCH REFUND WITH INTEREST AS PROVIDED HEREIN WILL BE LIQUIDATED DAMAGES AND NOT A PENALTY; SELLER AND PURCHASER HEREBY AGREE (i) THAT ANY ACTUAL DAMAGES SUFFERED BY PURCHASER WOULD BE DIFFICULT AND IMPRACTICABLE TO DETERMINE, (ii) THAT THE AMOUNT OF THE REFUND IS NOT LESS THAN THE BEST ESTIMATES OF THE PARTIES OF PURCHASER'S ACTUAL DAMAGES; AND (iii) SELLER HEREBY WAIVES ANY DEFENSE OR OBJECTION TO THE ENFORCEABILITY OF SUCH LIQUIDATED DAMAGES BY PURCHASER. FURTHER, THE PARTIES AGREE, STIPULATE AND ACKNOWLEDGE THAT ANY ADDITIONAL AMOUNTS PAID BY PURCHASER FOR THE APARTMENT (SUCH AS MAINTENANCE CHARGES AND OTHER COMMON EXPENSES INCLUDING LIMITED COMMON EXPENSES, REAL PROPERTY TAXES, MORTGAGE LOAN FEES AND INTEREST, AND THE START-UP FEE) ARE NOT MORE THAN THE REASONABLE VALUE OF USE OF THE APARTMENT FROM THE FINAL CLOSING DATE UNTIL THE DATE OF REPAYMENT.

Purchaser agrees that the terms of this Section 7 will continue after the closing and will apply to Purchaser as well as to anyone claiming by, through or under Purchaser or the Apartment, notwithstanding anything contained herein to the contrary.

8. **Additional Disclosures**. Purchaser acknowledges receipt of notice that:

a. **Use of Apartments.** The Declaration of Condominium Property Regime of Palms at Waikiki (the "Declaration") provides that the Apartments in the Project may be used for hotel purposes. The Project is subject to the Declaration, the Bylaws and the House Rules, as the same may be amended from time to time. FOR INFORMATION REGARDING OWNERS' RIGHTS AND OBLIGATIONS REGARDING, AMONG OTHER THINGS, THE USE, DECORATION AND OWNERSHIP OF THE APARTMENT, PURCHASERS SHOULD READ THE CONDOMINIUM DOCUMENTS, INCLUDING THE DECLARATION, BYLAWS AND HOUSE RULES. There are also other restrictions that may apply. Purchasers should refer to the condominium public report for particulars.

b. **Disclosure of Non-Conforming Conditions.** The Seller has obtained a letter from the Department of Planning and Permitting of the City and County of Honolulu dated September 17, 2004 confirming that the Project met all applicable code requirements

when constructed in 1968. Since 1968, the Project has been operated for many years as a legal non-conforming hotel. Generally, this designation means that, although in compliance with the zoning and building code effective when the structure was built, some aspects of the building do not meet the requirements of the current Land Use Ordinance ("LUO") and Uniform Building Code ("UBC") adopted by the County. These aspects are generally "grandfathered" and treated as legal, but (among other risks) legal non-conforming status can be lost if the use of the building changes or for other reasons, and Seller can give no assurances that the Project will not hereafter be required to conform to such requirements now in force or hereafter imposed.

Generally, the existence of nonconforming conditions in the Project means that in the event of a major casualty, which causes the destruction of the building to an extent of more than fifty percent (50%) of its replacement cost at the time of destruction, the building cannot be reconstructed except in conformity with the then current and applicable provisions of the LUO and UBC. Certain exceptions to the general development standards applicable to nonconforming uses and structures in the apartment-mixed use precinct of the Waikiki Special District, in which the Project is located, are set forth in Section 21-9.80-4(e) of the LUO. Also, the recent passage of Bill 63 (2003), CD 2 amends the LUO to provide greater flexibility in development standards applicable within the Waikiki Special District to encourage revitalization, redevelopment and renovation of nonconforming properties in the district. However, Seller makes no representations or promises regarding the possible benefits to Purchaser or the Association under the provisions set forth in Section 21-9.80-4(e) of the LUO or Bill 63 (2003), CD 2.

PURCHASER AGREES, BY THE ACCEPTANCE OF AN OWNER'S APARTMENT DEED IN THIS PURCHASE TRANSACTION, TO ACCEPT THE NONCONFORMING CONDITIONS DESCRIBED ABOVE, AND FURTHER AGREES THAT THE PURCHASERS OF CONDOMINIUM APARTMENTS IN THE PROJECT ARE ASSUMING ALL RESPONSIBILITY FOR ANY CHANGES TO THE PROJECT THAT MAY BE REQUIRED WITH RESPECT TO ANY NONCONFORMING CONDITIONS.

c. **Pending Litigation.** The Project is presently the subject of litigation by the Seller against the former owners from which the Seller purchased the Project and their affiliates, and the former hotel management company engaged by Seller to operate the Project as a hotel. This litigation does not involve Purchasers nor is Seller aware of any reason why any Purchaser could or would become a party to this litigation, and the description provided below is solely for Purchaser's informational purposes.

The litigation is being conducted in three related actions in the Circuit Court of Honolulu, Hawaii, entitled respectively *LaeRoc Waikiki Parkside, etc. vs. KSK (Oahu) Limited Partnership, etc., et al.* (Civil Case No. 02-002013), *Resortquest Hawaii LLC, etc., et al. vs. LaeRoc Waikiki Parkside, LLC, etc.* (Civil Case No. 02-2695) and *LaeRoc Waikiki Parkside, LLC vs. K.S.K. (Oahu) Limited Partnership, etc., et al.* (Civil Case No. is 04-1-0564 (BIA)). The pleadings and papers on file, and the documents and discovery developed in this litigation, are too voluminous to characterize here, but generally the litigation involves the Seller's claims against the former owners for concealed and undisclosed physical conditions of the Building, and against the former management company for failure to make required monthly guaranteed payments to Seller, and breach of its duties to properly maintain and operate the Project. Seller's counsel in this litigation is as follows:

Glenn K. Sato, Esq.
220 S. King St., Ste. 600
Honolulu, HI 96813
Ph: 808-537-1625 Fx: 800-256-9480

Purchasers may contact Seller's counsel for access to copies of the pleadings and papers on file in the litigation and the discovery which has thus far been done by the various parties. However, Purchasers are cautioned that the litigation is ongoing and the posture of the case and the matters developed in discovery are subject to change. Moreover, because the matter is presently in litigation Seller's counsel is not at liberty to discuss the status or progress of the case with Purchasers or their representatives, and cannot provide any information other than access to copies of the pleadings and papers on file in the litigation and the discovery which has been done with adverse parties.

d. **Condition of Project.** PURCHASERS ARE AGAIN ADVISED THAT THE PROJECT WAS ORIGINALLY CONSTRUCTED IN THE LATE 1960s AND NOTWITHSTANDING CERTAIN RENOVATION WORK DONE BY THE SELLER, PURCHASERS SHOULD NOT EXPECT THAT THE APARTMENTS BEING OFFERED FOR SALE NOR ANY COMPONENTS OF THE PROJECT WILL BE LIKE NEW. PURCHASERS ARE FURTHER ADVISED THAT NOT ALL POTENTIAL UPGRADES TO THE PROJECT CONSIDERED DURING THE COURSE OF THE SELLER'S RENOVATION WERE ADOPTED BY THE SELLER. PURCHASERS WILL, THEREFORE, BE ACQUIRING APARTMENTS AND APPURTENANT LIMITED COMMON ELEMENTS AND UNDIVIDED INTERESTS IN THE COMMON ELEMENTS OF THE PROJECT IN "AS IS" CONDITION, WITH ALL FAULTS. PURCHASERS, AS THE OWNERS OF APARTMENTS IN THE PROJECT COMPRISING THE ASSOCIATION OF OWNERS WILL BE RESPONSIBLE FOR FUNDING THE COSTS TO REPAIR, MAINTAIN AND REPLACE ALL COMPONENTS OF THE PROJECT, THROUGH THE GENERAL OPERATING BUDGET OR BY SPECIAL ASSESSMENT MADE TO ALL OWNERS.

ACCORDINGLY, PURCHASERS SHOULD READ THE RESERVE STUDY PREPARED BY ARMSTRONG CONSULTING, INC., A COPY OF WHICH PURCHASER HEREBY ACKNOWLEDGES RECEIVING, CAREFULLY TO UNDERSTAND THE CONDITION OF THE PROJECT AND VARIOUS COMPONENTS THEREOF AS WELL AS THE ANTICIPATED REPLACEMENT COSTS FOR SUCH COMPONENTS BEFORE DECIDING TO PURCHASE AN APARTMENT IN THE PROJECT. PURCHASERS ARE ALSO REFERRED TO THE FOLLOWING ADDITIONAL DISCLOSURE ITEMS:

1. **General Condition Disclosure.** The Project may be subject to exterior spalling and weathering, rust, earthquake, fire, floods, erosion, high water table, dangerous underground soil conditions and similar occurrences or conditions which may alter the Project's condition or affect its suitability for any proposed use. Seller shall have no responsibility or liability for or with respect to any such occurrence or condition.

2. **Air Conditioning Components**. The air-conditioning system and components thereof were originally installed when the Project was constructed over thirty (30) years ago. Purchasers are advised that although various components of the air-conditioning system for the Building have been repaired or replaced over time, including extensive repairs by Seller to elements of the system and replacement of individual air handling units in the Apartments, the air-conditioning system as a whole is not new and therefore, Purchasers should anticipate that there will be costs incurred by the Association to repair, maintain, replace and/or upgrade various components of the air-conditioning system in the future.

3. **Balconies and Sliding Doors**. As part of the Seller's repairs and renovations of the Building, the balcony decks are receiving new color and sealer applications, and local repairs of certain areas of spalling have been made on some balconies. However, the Seller has not undertaken general repairs of all of the balconies, and due to the age of the Building, Purchasers should anticipate additional repairs as necessary in the future. The Seller's renovation also includes some maintenance and repairs to a number of the sliding doors from Apartments to their balconies, but the sliding door installations have not been replaced and are not new, and Purchasers should be aware that such installations are vulnerable to leakage.

4. **Concrete Spalling**. The Seller's repairs and renovations include new painting of the Building exterior and related cosmetic repairs. However, due to the age of the Building and prevailing climate, the exterior of the Building may experience cracking and spalling in certain areas, and particles of paint and cement from the exterior of the Building may fall onto the balconies of Apartments. As indicated in the Reserve Study, the occurrence of concrete spalling from the exterior of the Building cannot be predicted with certainty and is therefore, not budgeted in the Reserve Study. Repair to any future spalling will accordingly, be an expense of the Association.

5. **Electrical.** The electrical system in the Building is being repaired due to damage incurred during the demolition and abatement work which has been part of the current renovation and repairs, and additional outlets in a number of Apartments are being provided to service appliances, without increasing overall electrical capacity in the Building or on individual floors. The existing capacity is anticipated to be adequate for expected normal usage, although there is an unlikely possibility that occupants could simultaneously overload existing outlets and cause interruption of electrical service on one or more floors. As noted in the Reserve Study, it has not been determined if the utilities supplying electrical service own the Building transformers, so no funds are reserved for repair, maintenance or replacement of them. In the event that the transformers are deemed property of the Project, these costs will be a common expense to be shared by all owners.

6. **Plumbing Repairs.** Extensive repairs to elements of the Building drains and related plumbing installations are being made as part of Seller's current renovation of the Building on a number of floors (not including portions of the lobby, mezzanine and parking levels). However, because of the age of the Building additional elements of the plumbing, for individual Apartments or the Building systems generally, are anticipated to require repairs from time to time.

PURCHASERS SHOULD CAREFULLY REVIEW THE RESERVE STUDY AND ALL OTHER PROPERTY CONDITION INFORMATION PRIOR TO SIGNING THE PURCHASE AGREEMENT. SELLER MAKES NO REPRESENTATIONS OR WARRANTY WHATSOEVER THAT THE INFORMATION CONTAINED IN ANY STUDIES OR REPORTS PROVIDED TO PURCHASERS OR THE USEFUL LIVES AND REPLACEMENT COSTS OF THE COMPONENTS LISTED IN THE RESERVE STUDY ARE COMPLETE OR ACCURATE.

e. **Americans With Disabilities Act ("ADA").** Prior to Seller's acquisition of the Project, the former owners entered into a Settlement Agreement, General Release and Waiver of Claims in March, 1997, which resolved an action brought against the prior owner for alleged ADA violations relating to the Building, and which provided for certain remedial work to be done to bring the Project into agreed-upon compliance with various ADA requirements. The Seller as part of its renovation and repair upon acquiring the Project has undertaken to complete the work provided by the 1997 settlement. However, the

possibility of future complaints based on alleged ADA noncompliance other than the matters previously remedied is always present, and Purchasers must recognize the potential for future expenses for additional ADA compliance work on the Building.

PURCHASER ACKNOWLEDGES AND AGREES, FOR HIM OR HER SELF AND HIS OR HER SUCCESSORS, HEIRS AND ASSIGNS, THAT PURCHASER ACCEPTS THE CONDITION OF THE PROJECT GIVEN THE ADA REMEDIATION WORK DONE BY SELLER, AND HEREBY RELEASES SELLER AND ITS AFFILIATES, AND THEIR AND EACH OF THEIR RESPECTIVE PAST, PRESENT AND FUTURE MEMBERS, MANAGERS, DIRECTORS, OFFICERS, SHAREHOLDERS, EMPLOYEES, PROPERTY MANAGERS, AGENTS, AND EACH OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS FROM, AND WAIVES ANY CLAIM, ACTION OR LIABILITY WHICH ARISES FROM OR RELATES TO, SUCH CONDITIONS. PURCHASER FURTHER ACKNOWLEDGES AND AGREES, FOR HIM OR HER SELF AND HIS OR HER SUCCESSORS, THAT PURCHASER HAS CONSIDERED THE POTENTIAL FOR FURTHER ADA REMEDIATION OBLIGATIONS IN CONNECTION WITH THE OFFER OR SALE OF THE APARTMENT OR PROJECT, AND ACCEPTS THAT ANY SUCH OBLIGATIONS SHALL BE AT PURCHASER'S SOLE RISK.

f. **Flood Zone.** County records indicate that the Project is located in Flood Insurance Rate Map (FIRM) Zone AO. The current Managing Agent for the Project has obtained or will obtain flood insurance for the Project, however, Seller disclaims and makes no promises as to the adequacy of such insurance coverage.

g. **Hazardous Materials.** Seller has undertaken remediation work to remove or otherwise deal with asbestos at the Project, in accordance with the recommendations of Seller's consultants. Seller has made no independent investigation, however, as to other hazardous substances in the Apartments or in, under or around the Project, including, but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. In light of the age of the Project, there may be other hazardous substances in the Apartments or in, under or around the Project. Because of the possible presence of such substances, Purchasers should have their respective Apartments inspected to determine the extent (if any) of such contamination and any necessary remedial action. Seller will not correct any defects in the Apartment or in the Project or anything installed or contained therein and Purchaser shall expressly release Seller from any liability if any hazardous materials are discovered. Purchaser shall have ten (10) days from the date of Seller's Execution Date of the Purchase Agreement to perform a risk assessment or inspection, at Purchaser's option and expense, for the presence of hazardous materials in the Apartment or Project.

h. **Lead-Based or Lead Containing Paint.** Seller's current renovation of the Building includes extensive painting of exterior and interior surfaces, with non-leaded paints. However, all Purchasers are hereby notified that the Project may nonetheless present exposure to lead from lead-based or lead-containing paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. Seller has provided Purchaser with a lead paint addendum to the Purchase Agreement which has been acknowledged by Purchaser. Purchaser shall have ten (10) days from Seller's Execution Date of the Purchase Agreement to perform a risk assessment or inspection, at Purchaser's option and expense, for the presence of lead-based paint and/or lead-based hazards in the Apartment.

i. **Mold/Mildew**. Purchaser is advised that certain toxic molds have previously been detected at the Project, and the Seller has engaged the services of mold remediation contractors to conduct extensive mold remediation work at the Project, which have included replacement of all of the drywall walls for the Apartment interiors and substantial additional portions of the hallway drywall. However, Purchaser acknowledges that Seller cannot guaranty that mold, mildew, fungus and other types of bacterial growths will not recur. Tropical climates with warm temperatures, high humidity and frequent precipitation are generally conducive to the propagation of mold, mildew, fungus and other types of bacterial growths. Though the Building, deck surfaces and other improvements that are a part of the Project may be cleaned to satisfactory appearance, Purchaser acknowledges that Seller cannot guaranty mold, mildew, fungus and other types of bacterial growths can be eliminated. Purchaser should be aware that, as with all properties, the Building may have hidden, enclosed and unreachable areas where growths can occur and cannot be detected or completely removed, and that there may in the future be mold and mildew growth in the Project if the Association and occupants of the Apartments do not properly maintain the Project. If Purchaser, any member of Purchaser's family, or any person who will inhabit the Apartment has respiratory, skin or other health ailments or conditions that can be affected by mold, mildew, fungus or other types of bacterial growths, they should seek professional advice before completing this purchase. It is agreed that Seller does not undertake to provide counsel as to the effect that any mold, mildew, fungus and other type of bacterial growths in the Project may have relating to the health, welfare and continued enjoyment of the Apartment and the Project by Purchaser or any particular individual. Purchaser shall have ten (10) days from Seller's Execution Date of the Purchase Agreement to perform or engage a professional consultant to perform a risk assessment or inspection in the Apartment and the Project, at Purchaser's option and expense, for the presence of mold, mildew, fungus or other types of bacterial growths in the Apartment and the Project.

j. **Floor Leveling.** The floors of certain Apartments may not be exactly level. In most instances, floor coverings will render such leveling discrepancies unnoticeable. Some purchasers, may, however, notice such floor conditions notwithstanding floor coverings.

k. **Construction On Property In Close Proximity to Project.** Purchasers are advised that one or more new towers may be constructed on the Hilton Hawaiian Village property situated across Ala Moana Boulevard from the Project, or potentially in other locations near the Project, that may adversely impact view channels from the Project.

l. **Traffic Signalization.** Traffic signalization may be altered on Ala Moana Boulevard due to future improvements on the Hilton Hawaiian Village property, thus impacting traffic flow and possibly, ingress and egress from the Project.

m. **Sale of Apartment 105.** The Seller intends to sell Apartment 105, which comprises the front desk of the Project, to Aqua Hotels and Resorts, LLC. In the event that Aqua Hotels and Resorts, LLC ceases to be the hotel operator for the Project, it has agreed to reconvey Apartment 105 to the Association.

n. **Real Property Taxes.** The Apartments are not yet separately assessed for property tax purposes and at closing the Seller will allocate property taxes among the Apartments based on the ratio of their gross list prices.

o. **Pool Safety**. Purchaser is aware that there is no lifeguard on duty at the pool within the Project. Accordingly, Purchaser acknowledges that Purchaser's safety as well as the safety of Purchaser's children, tenants and guests are Purchaser's own responsibility while using the pool. Children must be accompanied by an adult while using the pool and there is no diving permitted. Purchaser is directed to the House Rules for more information regarding the use of the pool. All residents and guests swim at their own risk.

p. **Nuisance and Natural Occurrence Disclosures.** The following is a partial list of potential items which Apartment owners or occupants may find objectionable:

1. **Airflow and Wind**. Air flow in, around and through the Building, the Project, and the Apartment resulting in smoke (from tobacco or other smoking substances), barbeque odors, other cooking odors, perfumes, and other odors being transmitted to the Apartment or the Project and wind or wind-related noises or nuisances that may result therefrom.

2. **Building and Hotel Operations**. Noises, odors, chemical odors or fumes from Building or hotel operations, including janitorial, maid, elevator and mechanical equipment operations, and landscape maintenance, repair and replacement activity.

3. **Neighbors**. Neighbors, including adjacent apartment owners, their guests and invitees, whether below, above or on the side of the Apartment and their respective behaviors and idiosyncrasies, whether occurring in an apartment or the common areas of the Project.

4. **Adjacent Properties**. Nuisances arising from adjacent properties and their respective operational issues, such as trash pickup, deliveries, guests, tenants, clients and invitees, and any construction work they may perform from time to time.

5. **Pedestrians**. Nuisances arising from pedestrian traffic.

6. **Traffic**. Nuisances arising from traffic, including dust, sounds (alarms, engines, screeching tires, etc.), and exhaust fumes.

7. **Natural Occurrences**. Earthquakes, tsunamis, volcanic ash or haze, animals, insects, pestilence, drought, and other natural occurrences.

8. **Condominium Living**. The Building is multi-storied. As such, there are other apartments located adjacent to, above and/or below the Apartment. There is some possibility of sound transmission, smells, smoke, and other possible nuisances between apartments.

This is not a complete list of all potential objectionable matters, and Purchaser acknowledges there may be others. Purchaser releases and indemnifies Seller, its agents, consultants, contractors and employees from any and all liability or claims made by Purchaser, any successor or assigns of Purchaser, or any tenant or guest of Purchaser, arising from all such matters, whether listed above or otherwise.

EACH PURCHASER AGREES TO ACCEPT EACH CONDITION, CIRCUMSTANCE AND RISK DESCRIBED ABOVE OR IN ANY OF THE REPORTS OR INFORMATION PROVIDED BY SELLER, AND FURTHER AGREES THAT NEITHER SELLER, NOR ANY OF THE "RELEASED PARTIES" DESCRIBED IN SECTION 1 ABOVE, SHALL BE RESPONSIBLE FOR CORRECTING ANY SUCH CONDITIONS.

NOTE: EACH PURCHASER WILL BE REQUIRED TO SIGN A "PURCHASER'S DISCLOSURE ACKNOWLEDGMENTS" ACKNOWLEDGING AND AGREEING TO ALL THE DISCLOSURES ON PAGES 20-20i. THEY SHOULD BE READ WITH CARE.

D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report).

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

LaeRoc Waikiki Parkside, LLC
Printed Name of Developer

By: Kim Alan Benjamin
Duly Authorized Signatory*

9/2/04
Date

Kim Alan Benjamin, President of LaeRoc Partners, Inc., Manager of LaeRoc Waikiki Partners, LLC
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

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

EXHIBIT "A"

RIGHTS RESERVED BY DEVELOPER

Among other rights, Developer will have the following reserved rights with respect to the Project that are particularly set forth in the Declaration:

A. **RESERVED RIGHT TO GRANT EASEMENTS.** This right is set forth at Paragraph XIX. of the Declaration. Developer will have, among other things, the right until December 31, 2025, to grant easements over the common elements of the Project.

B. **RESERVED RIGHT TO CONVERT LIMITED COMMON ELEMENTS TO APARTMENTS.** This right is set forth at Paragraph XX. of the Declaration. Developer shall have the right until December 31, 2025, without obtaining the approval of any party with an interest in the Project, including any other Owner and/or mortgagee, to convert a Limited Common Element appurtenant to such Apartment or Apartments owned by Developer, or any portion thereof, into a separate Apartment of the Project.

C. **RESERVED RIGHT TO SUBDIVIDE AND CONSOLIDATE APARTMENTS.** This right is set forth at Paragraph XXI. of the Declaration. Developer will have, among other things, the right until December 31, 2025, to change the floor plan of any Apartment which it owns so long as the common interest appurtenant to the Apartment does not change; subdivide any Apartment which it owns at any time to create two (2) or more Apartments so long as the total common interest appurtenant to the newly-created Apartments are equal to the common interest appurtenant to the original Apartment; convert the status of certain portions of an existing Apartment to common element status to facilitate the subdivision so long as the total common interest appurtenant to the newly-created Apartment(s) equal the common interest appurtenant to the original Apartment; consolidate two (2) or more Apartments which it owns and convert any area between Apartments to Apartment status; and convert a Limited Common Element appurtenant to an Apartment or Apartments owned by Developer, or any portion thereof, into a separate Apartment of the Project.

D. **RESERVED RIGHT TO MODIFY PROJECT TO COMPLY WITH LAW.** This right is set forth at Paragraph XXII. of the Declaration. Developer will have the right until December 31, 2025 to accomplish all modifications to Apartments and common elements in the Project to ensure full compliance by the Project, and the Association with laws that apply to the Project. However, this right does not create an obligation on Developer's part to effect such compliance.

E. **RESERVED RIGHT TO UTILIZE LIMITED COMMON ELEMENT AREAS.** This right is set forth at Paragraph XXIII. of the Declaration. The Owner of a Commercial Apartment shall have the reserved right, but shall have no obligation, to operate, lease and/or utilize all or any part of the Limited Common Elements of the Project, and which are appurtenant to such Apartment, for any purpose permitted by law, including, without limitation, for purposes related to the sale of real estate, or providing services and amenities conducive to a first-class hotel and resort destination. The Owners of Commercial Apartments may contract with various providers of goods and services, such as food and beverage operators, retail stores and other vendors, to provide goods and services at the Project, and may retain any compensation paid to the Owners in consideration of the Owners permitting any such vendor to utilize space at the Project.

F. **RESERVED RIGHT TO REDESIGNATE LIMITED COMMON ELEMENTS.** This right is set forth at Paragraph XXIV. of the Declaration. Developer will have, among other things, the right until December 31, 2025, to change or amend the Declaration to redesignate all or a portion of certain limited common elements appurtenant to an Apartment owned by Developer, as appurtenances to another Apartment or Apartments owned by Developer.

G. **RESERVED RIGHT TO CONVEY APARTMENTS AND LIMITED COMMON ELEMENTS TO ASSOCIATION.** This right is set forth at Paragraph XXV. of the Declaration. Developer will have, among other things, the right until December 31, 2025, to convey to the Association Apartments owned by Developer and free of mortgage liens, to redesignate limited common elements appurtenant to Apartments owned by Developer as limited common elements to Apartments owned by the Association, to recharacterize limited common elements appurtenant

to Apartments owned by Developer as common elements of the Project and to change or amend the Declaration, Bylaws and Condominium Map to effect the same.

H. **RESERVED RIGHTS TO WITHDRAW APARTMENTS.** This right is set forth at Paragraph XXVI of the Declaration. Developer will have, among other things, the right until December 31, 2025, to withdraw Apartments that it owns in the Project, including, without limitation, Apartments 1205, 1207, 1208, 1209 and 1210, from the operation of the Declaration and to allocate the common interests attributable to such withdrawn Apartments to Commercial Apartment M101 or to any other Apartment in the Project owned by Developer.

I. **ASSIGNMENT OF RESERVED RIGHTS.** Pursuant to Paragraph XXVII. of the Declaration, the rights reserved by Developer are fully assignable.

J. **CONSENT TO DEVELOPER'S RESERVED RIGHTS; APPOINTMENT OF DEVELOPER AND ASSOCIATION AS ATTORNEY-IN-FACT.** Pursuant to Paragraph XXVIII. of the Declaration, every party acquiring an interest in the Project consents to Developer's exercise of its reserved rights and to the execution, delivery and recording of any documents to effect these rights. Every party agrees to execute, deliver and record documents and do what may be necessary or convenient to effect the same; and appoints Developer its attorney-in-fact to execute, deliver and record such documents and do such other things on his behalf.

* * * * *

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL THE RIGHTS RESERVED BY DEVELOPER UNDER THE CONDOMINIUM DOCUMENTS. WHILE A PURCHASER CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF SUCH RESERVED RIGHTS, PURCHASER MUST REFER TO THE CONDOMINIUM DECLARATION AND BYLAWS TO DETERMINE THE ACTUAL RIGHTS RESERVED BY DEVELOPER. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE DECLARATION OR THE BYLAWS, THE DECLARATION OR BYLAWS, AS APPLICABLE, WILL CONTROL.

END OF EXHIBIT "A"

EXHIBIT "B"

APARTMENT DESCRIPTIONS, NET SQUARE FOOTAGES, PERCENTAGE OF COMMON INTEREST

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***
101	Commercial	Not Applicable	7619	None	8.564235%
102	Commercial	Not Applicable	390	None	0.438384%
103	Commercial	Not Applicable	136	None	0.152873%
104	Commercial	Not Applicable	94	None	0.105662%
105	Commercial	Not Applicable	136	None	0.152873%
M101	Commercial	Not Applicable	2237	None	2.514527%
202	E	0/1/0	360	61	0.404663%
205	I	1/1/1	793	108	0.891382%
206	H	0/1/0	550	134	0.618235%
207	CR	0/1/0	271	48	0.304621%
209	D	0/1/0	251	14	0.282140%
210	A	0/1/0	323	41	0.363072%
211	CR	0/1/0	272	47	0.305745%
212	AR	0/1/0	322	41	0.361948%
214	B	0/1/0	291	14	0.327102%
215	C	0/1/0	272	47	0.305745%
216	AR	0/1/0	321	42	0.360824%
217	DR	0/1/0	251	14	0.282140%
218	A	0/1/0	312	42	0.350708%
219	C	0/1/0	271	47	0.304621%
220	B	0/1/0	291	14	0.327102%
221	CR	0/1/0	271	47	0.304621%
222	A	0/1/0	315	41	0.354080%
223	D	0/1/0	251	14	0.282140%
224	AR	0/1/0	314	41	0.352956%
225	CR	0/1/0	271	46	0.304621%
227	J	1/1/1	546	46	0.613738%
301	G/ADA	0/1/0	298	46	0.334971%
302	E/ADA	0/1/0	359	43	0.403539%
303	K	0/1/0	226	14	0.254038%
304	B	0/1/0	309	14	0.347335%
305	C	0/1/0	246	48	0.276519%
306	F	0/1/0	244	40	0.274271%
307	CR	0/1/0	271	48	0.304621%
308	B/ADA	0/1/0	285	14	0.320358%
309	D	0/1/0	251	14	0.282140%
310	A	0/1/0	323	41	0.363072%
311	CR	0/1/0	272	47	0.305745%
312	AR	0/1/0	322	41	0.361948%
314	B	0/1/0	291	14	0.327102%
315	C	0/1/0	272	47	0.305745%
316	AR	0/1/0	321	42	0.360824%
317	DR	0/1/0	251	14	0.282140%
318	A	0/1/0	312	42	0.350708%
319	C	0/1/0	271	47	0.304621%
320	BR	0/1/0	291	14	0.327102%
321	CR	0/1/0	271	47	0.304621%

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***
322	A	0/1/0	315	41	0.354080%
323	D	0/1/0	251	14	0.282140%
324	AR	0/1/0	314	41	0.352956%
325	CR	0/1/0	271	46	0.304621%
327	C	0/1/0	271	46	0.304621%
329	DR/ADA	0/1/0	265	None	0.297877%
401	G/ADA	0/1/0	298	46	0.334971%
402	E/ADA	0/1/0	359	43	0.403539%
403	K	0/1/0	226	14	0.254038%
404	B	0/1/0	309	14	0.347335%
405	C	0/1/0	246	48	0.276519%
406	F	0/1/0	244	40	0.274271%
407	CR	0/1/0	271	48	0.304621%
408	B/ADA	0/1/0	285	14	0.320358%
409	D	0/1/0	251	14	0.282140%
410	A	0/1/0	323	41	0.363072%
411	CR	0/1/0	272	47	0.305745%
412	AR	0/1/0	322	41	0.361948%
414	B	0/1/0	291	14	0.327102%
415	C	0/1/0	272	47	0.305745%
416	AR	0/1/0	321	42	0.360824%
417	DR	0/1/0	251	14	0.282140%
418	A	0/1/0	312	42	0.350708%
419	C	0/1/0	271	47	0.304621%
420	BR	0/1/0	291	14	0.327102%
421	CR	0/1/0	271	47	0.304621%
422	A	0/1/0	315	41	0.354080%
423	D	0/1/0	251	14	0.282140%
424	AR/ADA	0/1/0	314	41	0.352956%
425	CR	0/1/0	271	46	0.304621%
427	C	0/1/0	271	46	0.304621%
429	DR	0/1/0	265	None	0.297877%
501	G	0/1/0	298	46	0.334971%
502	E	0/1/0	359	43	0.403539%
503	K	0/1/0	226	14	0.254038%
504	B	0/1/0	309	14	0.347335%
505	C	0/1/0	246	48	0.276519%
506	H	0/1/0	550	56	0.618235%
507	CR	0/1/0	271	48	0.304621%
509	D	0/1/0	251	14	0.282140%
510	A	0/1/0	323	41	0.363072%
511	CR	0/1/0	272	47	0.305745%
512	AR	0/1/0	322	41	0.361948%
514	B	0/1/0	291	14	0.327102%
515	C	0/1/0	272	47	0.305745%
516	AR	0/1/0	321	42	0.360824%
517	DR	0/1/0	251	14	0.282140%
518	A	0/1/0	312	42	0.350708%
519	C	0/1/0	271	47	0.304621%
520	BR	0/1/0	291	14	0.327102%
521	CR	0/1/0	271	47	0.304621%

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***
522	A	0/1/0	315	41	0.354080%
523	D	0/1/0	251	14	0.282140%
524	AR	0/1/0	314	41	0.352956%
525	CR	0/1/0	271	46	0.304621%
527	C	0/1/0	271	46	0.304621%
529	DR	0/1/0	265	None	0.297877%
601	G	0/1/0	298	46	0.334971%
602	E	0/1/0	359	43	0.403539%
603	K	0/1/0	226	14	0.254038%
604	B	0/1/0	309	14	0.347335%
605	C	0/1/0	246	48	0.276519%
606	H	0/1/0	550	56	0.618235%
607	CR	0/1/0	271	48	0.304621%
609	D	0/1/0	251	14	0.282140%
610	A	0/1/0	323	41	0.363072%
611	CR	0/1/0	272	47	0.305745%
612	AR	0/1/0	322	41	0.361948%
614	B	0/1/0	291	14	0.327102%
615	C	0/1/0	272	47	0.305745%
616	AR	0/1/0	321	42	0.360824%
617	DR	0/1/0	251	14	0.282140%
618	A	0/1/0	312	42	0.350708%
619	C	0/1/0	271	47	0.304621%
620	BR	0/1/0	291	14	0.327102%
621	CR	0/1/0	271	47	0.304621%
622	A	0/1/0	315	41	0.354080%
623	D	0/1/0	251	14	0.282140%
624	AR	0/1/0	314	41	0.352956%
625	CR	0/1/0	271	46	0.304621%
627	C	0/1/0	271	46	0.304621%
629	DR	0/1/0	265	None	0.297877%
701	G	0/1/0	298	46	0.334971%
702	E	0/1/0	360	43	0.404663%
703	K	0/1/0	226	14	0.254038%
704	B	0/1/0	309	14	0.347335%
705	C	0/1/0	246	48	0.276519%
706	F	0/1/0	244	40	0.274271%
707	CR	0/1/0	271	48	0.304621%
708	B	0/1/0	285	14	0.320358%
709	D	0/1/0	251	14	0.282140%
710	A	0/1/0	323	41	0.363072%
711	CR	0/1/0	272	47	0.305745%
712	AR	0/1/0	322	41	0.361948%
714	B	0/1/0	291	14	0.327102%
715	C	0/1/0	272	47	0.305745%
716	AR	0/1/0	321	42	0.360824%
717	DR	0/1/0	251	14	0.282140%
718	A	0/1/0	312	42	0.350708%
719	C	0/1/0	271	47	0.304621%
720	BR	0/1/0	291	14	0.327102%
721	CR	0/1/0	271	47	0.304621%

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***
722	A	0/1/0	315	41	0.354080%
723	D	0/1/0	251	14	0.282140%
724	AR	0/1/0	314	41	0.352956%
725	CR	0/1/0	271	46	0.304621%
727	C	0/1/0	271	46	0.304621%
729	DR	0/1/0	265	None	0.297877%
801	G	0/1/0	298	46	0.334971%
802	E	0/1/0	360	43	0.404663%
803	K	0/1/0	226	14	0.254038%
804	B	0/1/0	309	14	0.347335%
805	C	0/1/0	246	48	0.276519%
806	F	0/1/0	244	40	0.274271%
807	CR	0/1/0	271	48	0.304621%
808	B	0/1/0	285	14	0.320358%
809	D	0/1/0	251	14	0.282140%
810	A	0/1/0	323	41	0.363072%
811	CR	0/1/0	272	47	0.305745%
812	AR	0/1/0	322	41	0.361948%
814	B	0/1/0	291	14	0.327102%
815	C	0/1/0	272	47	0.305745%
816	AR	0/1/0	321	42	0.360824%
817	DR	0/1/0	251	14	0.282140%
818	A	0/1/0	312	42	0.350708%
819	C	0/1/0	271	47	0.304621%
820	BR	0/1/0	291	14	0.327102%
821	CR	0/1/0	271	47	0.304621%
822	A	0/1/0	315	41	0.354080%
823	D	0/1/0	251	14	0.282140%
824	AR	0/1/0	314	41	0.352956%
825	CR	0/1/0	271	46	0.304621%
827	C	0/1/0	271	46	0.304621%
829	DR	0/1/0	265	None	0.297877%
901	G	0/1/0	298	46	0.334971%
902	E	0/1/0	360	43	0.404663%
903	K	0/1/0	226	14	0.254038%
904	B	0/1/0	309	14	0.347335%
905	C	0/1/0	246	48	0.276519%
906	F	0/1/0	244	40	0.274271%
907	CR	0/1/0	271	48	0.304621%
908	B	0/1/0	285	14	0.320358%
909	D	0/1/0	251	14	0.282140%
910	A	0/1/0	323	41	0.363072%
911	CR	0/1/0	272	47	0.305745%
912	AR	0/1/0	322	41	0.361948%
914	B	0/1/0	291	14	0.327102%
915	C	0/1/0	272	47	0.305745%
916	AR	0/1/0	321	42	0.360824%
917	DR	0/1/0	251	14	0.282140%
918	A	0/1/0	312	42	0.350708%
919	C	0/1/0	271	47	0.304621%
920	BR	0/1/0	291	14	0.327102%

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***
921	CR	0/1/0	271	47	0.304621%
922	A	0/1/0	315	41	0.354080%
923	D	0/1/0	251	14	0.282140%
924	AR	0/1/0	314	41	0.352956%
925	CR	0/1/0	271	46	0.304621%
927	C	0/1/0	271	46	0.304621%
929	DR	0/1/0	265	None	0.297877%
1001	G	0/1/0	298	46	0.334971%
1002	E	0/1/0	360	43	0.404663%
1003	K	0/1/0	226	14	0.254038%
1004	B	0/1/0	309	14	0.347335%
1005	C	0/1/0	246	48	0.276519%
1006	F	0/1/0	244	40	0.274271%
1007	CR	0/1/0	271	48	0.304621%
1008	B	0/1/0	285	14	0.320358%
1009	D	0/1/0	251	14	0.282140%
1010	A	0/1/0	323	41	0.363072%
1011	CR	0/1/0	272	47	0.305745%
1012	AR	0/1/0	322	41	0.361948%
1014	B	0/1/0	291	14	0.327102%
1015	C	0/1/0	272	47	0.305745%
1016	AR	0/1/0	321	42	0.360824%
1017	DR	0/1/0	251	14	0.282140%
1018	A	0/1/0	312	42	0.350708%
1019	C	0/1/0	271	47	0.304621%
1020	BR	0/1/0	291	14	0.327102%
1021	CR	0/1/0	271	47	0.304621%
1022	A	0/1/0	315	41	0.354080%
1023	D	0/1/0	251	14	0.282140%
1024	AR	0/1/0	314	41	0.352956%
1025	CR	0/1/0	271	46	0.304621%
1027	C	0/1/0	271	46	0.304621%
1029	DR	0/1/0	265	None	0.297877%
1101	G	0/1/0	298	46	0.334971%
1102	E	0/1/0	360	43	0.404663%
1103	K	0/1/0	226	14	0.254038%
1104	B	0/1/0	309	14	0.347335%
1105	C	0/1/0	246	48	0.276519%
1106	F	0/1/0	244	40	0.274271%
1107	CR	0/1/0	271	48	0.304621%
1108	B	0/1/0	285	14	0.320358%
1109	D	0/1/0	251	14	0.282140%
1110	A	0/1/0	323	41	0.363072%
1111	CR	0/1/0	272	47	0.305745%
1112	AR	0/1/0	322	41	0.361948%
1114	B	0/1/0	291	14	0.327102%
1115	C	0/1/0	272	47	0.305745%
1116	AR	0/1/0	321	42	0.360824%
1117	DR	0/1/0	251	14	0.282140%
1118	A	0/1/0	312	42	0.350708%
1119	C	0/1/0	271	47	0.304621%

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***
1120	BR	0/1/0	291	14	0.327102%
1121	CR	0/1/0	271	47	0.304621%
1122	A	0/1/0	315	41	0.354080%
1123	D	0/1/0	251	14	0.282140%
1124	AR	0/1/0	314	41	0.352956%
1125	CR	0/1/0	271	46	0.304621%
1127	C	0/1/0	271	46	0.304621%
1129	DR	0/1/0	265	None	0.297877%
1201	J	1/1/1	751	101	0.844171%
1202	L	0/1/0	329	39	0.369817%
1203	M	0/1/0	326	40	0.366444%
1204	N	0/1/0	466	61	0.523813%
1205	O	1/1/1	648	78	0.728393%
1207	P	1/1/1	684	98	0.768859%
1208	Q	1/1/1	559	None	0.628351%
1209	R	1/1/1	527	None	0.592381%
1210	S	1/1/1	538	None	0.604746%
Total			88963		100.000000%

* The Apartment Type designations reflect groupings of Apartments having the same general floor plan. It should be noted that because construction is not a precise science, it is not always possible to construct each Apartment of a particular Apartment Type such that they have precisely the same net square footage. Accordingly, Apartments of a particular Apartment Type designation may vary slightly as to the net square footage which is reflected above.

** The approximate net square footage of each apartment as set forth above is measured from the exterior surface of the apartment perimeter and party walls and includes all of the non-load bearing interior walls, columns, chase spaces and partitions within its perimeter walls. The areas shown are approximate only, and the Developer makes no representations or warranties whatsoever as to the area of any particular apartment.

*** The Common Interest for each Apartment was assigned by the Developer by dividing the total Common Interest of one hundred percent (100%) by the total number of Apartments in the Project. The Common Interest appurtenant to Apartment M101 was decreased by .000002% to permit the total Common Interest of all Apartments to equal exactly 100.00%.

END OF EXHIBIT "B"

EXHIBIT "C"

BOUNDARIES OF EACH APARTMENT

The Apartments consist of spaces within the perimeter and party walls, windows, doors, floors and ceilings of each of the 268 Apartments of the Project. The respective Apartments shall not be deemed to include: (a) the perimeter or party walls or the undecorated or unfinished interior surfaces thereof (except for the storefronts of Commercial Apartments, as applicable, which are considered a part of such Commercial Apartments), (b) the floors and ceilings surrounding each Apartment or the undecorated or unfinished surfaces thereof, (c) the perimeter doors, door frames, door handles, door lock set, windows and window frames and all hardware associated therewith, or the undecorated or unfinished interior surfaces thereof, (d) the interior load-bearing walls and columns, if any, or the undecorated or unfinished surfaces thereof, or (e) any pipes, shafts, ducts, pumps, conduits, wires or other utility or service lines which are utilized for or serve more than one Apartment, the same being deemed Common Elements as hereinafter provided. Each Apartment shall be deemed to include: (i) all of the walls and partitions which are not load-bearing within its perimeter or party walls, (ii) all pipes, shafts, ducts, pumps, conduits, wires and other utility or service lines running through such Apartment which are utilized for and serve only that Apartment, (iii) the inner decorated or finished surfaces of all walls, floors and ceilings surrounding each Apartment, (iv) the inner decorated or finished surfaces of any doors, door frames, windows or window frames, and (v) all appliances and fixtures installed therein, and replacements therefor.

END OF EXHIBIT "C"

EXHIBIT "D"

PERMITTED ALTERATIONS TO APARTMENTS

A. **GENERAL PROVISIONS.** Except as otherwise expressly provided in the Declaration to the contrary, restoration or replacement of the Project or any portion thereof or construction of any additional improvement or structural alteration or addition to any improvement, different in any material respect from the Condominium Map of the Project, shall be undertaken by the Association or any Owner only pursuant to an amendment of the Declaration in accordance with Article XII. thereof, duly executed pursuant to the provisions thereof, accompanied by the written consent of the holders of all mortgage liens affecting any of the Apartments involved, and in accordance with complete plans and specifications therefor first approved in writing by the Board. Promptly upon completion of such restoration, replacement or construction, the Association or Owner, as the case shall be, shall duly record such amendment, together with a complete set of floor plans of the Project as so altered, certified as built by a registered architect or professional engineer.

B. **ADDITIONS OR ALTERATIONS SOLELY WITHIN AN APARTMENT OR LIMITED COMMON ELEMENT.** Notwithstanding any other provision in the Declaration to the contrary, pursuant to Article XII., Section B. thereof, the Owner of any Apartment may make any of the following alterations or additions within the Apartment or limited common element that the Owner controls: to install, maintain, remove and rearrange partitions (including the party wall between two Apartments owned by the same Owner), to finish, alter or substitute any plumbing, electrical or other fixtures attached to the ceilings, floors and walls as shall be appropriate for the utilization of the Apartment or limited common element, and to tile, finish, re-carpet, and do or cause to be done such work on the floors of any Apartment or limited common element; provided, the work or alteration does not jeopardize the soundness or safety of any part of the Project, reduce the value thereof, materially adversely affect any other Apartment or limited common element, materially alter the uniform external appearance of the Project, materially affect or impair any easement or rights of any of the other Apartment Owners, or materially interfere with or deprive any non-consenting Owner of the use or enjoyment of any part of the common elements. Further, nothing in Article XII., Section B. shall prohibit the Board from effecting such changes within an Apartment or Limited Common Element, or to require the same, in order that the Building and other improvements of the Project may continue to comply with applicable law, including any fire or building code violations.

C. **APARTMENT OWNERS TO EXECUTE AMENDMENT DOCUMENTS IN CERTAIN CASES.** In the event that any change or alteration of an Apartment or limited common element pursuant to and in compliance with Article XII., Section B. of the Declaration, shall alter the depiction of the particular Apartment or limited common element on the Condominium Map or the description thereof in the Declaration, then the Owner of such Apartment shall amend the Declaration and/or the Condominium Map to set forth such approved change or alteration, which amendment(s) may be executed by the Owner of the affected Apartment or Apartments and by no other party, and such shall become effective upon the recordation thereof in the Office of the Registrar of the Land Court of the State of Hawaii. The provisions of Article XIII. of the Declaration notwithstanding, such amendment shall not require the consent or joinder of the Owner of any other Apartment or any other person or entity, other than any mortgagee of such Apartment or Apartments which are changed or altered. Every Owner and all holders of liens affecting any of the Apartments of the Project and each and every other party acquiring an interest in the Project or any part thereof, by acquiring such Apartment, lien or other interest, consents to and agrees that he shall, if required by law or by any such Owner who shall have changed or altered an Apartment as aforesaid, join in, consent to, execute, deliver and record all instruments and documents necessary or desirable to effect the amendment of the Declaration and/or the Condominium Map; and appoints such Owner and his assigns his attorney-in-fact with full power of substitution to execute, deliver and record such documents and to do such things on his behalf, which grant of such power, being coupled with an interest, is irrevocable and shall not be affected by the disability of any such party.

* * * * *

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL RESTRICTIONS ON ALTERATIONS TO APARTMENTS CONTAINED IN THE CONDOMINIUM DOCUMENTS. WHILE A PURCHASER CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF RIGHTS AND OBLIGATIONS UNDER THE CONDOMINIUM DOCUMENTS, PURCHASER MUST REFER TO THE CONDOMINIUM DECLARATION, BYLAWS AND HOUSE RULES TO DETERMINE

THE PURCHASER'S ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE CONDOMINIUM DOCUMENTS, THE CONDOMINIUM DOCUMENTS, WILL CONTROL.

END OF EXHIBIT "D"

EXHIBIT "E"

COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

A. **COMMON ELEMENTS.** One freehold estate is hereby designated in all remaining portions of the Project, herein called the "Common Elements," including, specifically but not limited to:

1. The Land in fee simple and any appurtenances thereto as described on Exhibit "A";

2. The Building Structure including all perimeter or party walls and the undecorated or unfinished surfaces thereof (except for the storefronts of Commercial Apartments, as applicable, which are considered a part of such Commercial Apartments), any load-bearing walls and columns, and the undecorated or unfinished surfaces thereof, all structural components such as foundations, concrete sidewalks and curbs, floor slabs, columns, girders, beams, supports, halls, corridors, elevators, escalators, exterior stairs and stairways, main walls, roofs and ceilings;

3. All perimeter doors, door frames, door handles, door lock set, windows, window frames, and all hardware associated therewith, and the undecorated or unfinished interior surfaces thereof; whether at the perimeter of a Building Structure or at the perimeter of an Apartment;

4. All yards, grounds and landscaping, and all trash enclosures within the Project;

5. All driveways, parking areas as shown on the Condominium Map, access lanes, paved areas, ramps, loading areas and walkways within the Project;

6. All amenities and Improvements, including, without limitation, the pool and pool deck areas, the fitness room and the laundry facilities depicted on the Condominium Map, to the extent such areas are not otherwise designated as Apartments on the Condominium Map;

7. All cables, conduits, ducts, trash chute, sewer lines, electrical equipment, PBX phone equipment, door lock controller equipment, wiring, pipes, catch basins and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one Apartment for services such as power, light, water, gas, sewer, storm water, refuse, cable television and television signal distribution;

8. All unimproved areas, laundry rooms, ice machine areas, maintenance, equipment, Building Engineering area, Association employee lunch and break areas, storage areas and other similar areas which are not part of an Apartment;

9. All other apparatus and installations existing for common use, such as tanks, pumps, motors, fans, air-conditioning units including fan coil equipment located within an Apartment, compressors, ducts, shafts, vents, water heating and distribution equipment, fire suppression equipment and other such installations and apparatus;

10. All toilet facilities that are not part of an Apartment;

11. All interior areas of the Project necessary or desirable for the operation and maintenance of the hotel industry as "back-of-house" and accessory thereto, including, without limitation, the lobby areas and guest telephone areas, to the extent such areas are not otherwise characterized and defined in this Declaration as Apartments;

12. All other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use; and

13. All other areas designated on the Condominium Map as "Common Elements", or that are not designated as an Apartment or as a Limited Common Element appurtenant to an Apartment.

B. **LIMITED COMMON ELEMENTS.** Certain parts of the Common Elements, herein called the "Limited Common Elements," are hereby designated, set aside and reserved for the exclusive use of certain Apartments, and such Apartments shall have appurtenant exclusive easements for the use of such Limited Common Elements as set forth herein. The costs and expenses of every description pertaining to the Limited Common Elements, including, but not limited to, the costs of maintenance, repair, replacement, improvement or additions to the Limited Common Elements, shall be charged to the Owner of the Apartment to which the Limited Common Element shall be appurtenant, and if there is more than one Apartment to which the Limited Common Element shall be appurtenant, then in proportion to the Common Interest appurtenant to each of the respective Apartments, unless a different method is adopted pursuant to Article IX of this Declaration. Limited Common Elements which are appurtenant to more than one Apartment shall be managed and maintained by the Managing Agent on behalf of the Owners of such Apartments. In any event that a dispute shall arise between Owners of Apartments to which a particular Limited Common Element shall be appurtenant with respect to the management and/or maintenance thereof, such dispute shall be resolved by the Managing Agent, which shall be the sole arbiter with respect to such matters. All of the Owners of Commercial Apartments to which a Limited Common Element is appurtenant, may build upon and/or alter any such Limited Common Element, may change the use of such Limited Common Element, may lease any Limited Common Element area, and, in the event that any revenues are generated from such Limited Common Element or improvements thereon or uses thereof, the Owner or Owners of the Commercial Apartments or Commercial Apartments to which such Limited Common Element is appurtenant shall be entitled to such revenues, and no other Owner shall have any right thereto.

1. **HOTEL APARTMENTS.** Hotel Apartments shall have as Limited Common Elements, the lanai areas pertaining to each Hotel Apartment, if any, and any other Limited Common Elements identified in Exhibit "B" attached hereto, to the extent such areas are not otherwise designated as Apartments on the Condominium Map.

2. **APARTMENT 105 - FRONT DESK COMMERCIAL APARTMENT.** The Front Desk Commercial Apartment also known as Apartment 105, shall have as Limited Common Elements appurtenant thereto, the areas designated as Limited Common Elements on the Condominium Map on the Lobby Floor, and the Limited Common Element areas depicted on the Second through Penthouse Floors each having 126 square feet of area, to the extent such areas are not otherwise designated as Apartments on the Condominium Map.

3. **APARTMENT M101 - OFFICE SPACE COMMERCIAL APARTMENT.** The Office Space Commercial Apartment also known as Apartment M101, shall have as a Limited Common Element appurtenant thereto, the stairwell serving such Apartment as identified on the Condominium Map on the Mezzanine Floor and all parking stalls in the Project identified on the Condominium Map as Parking Stalls 1 through 135, inclusive, HC1 through HC5, inclusive, and parking stall areas A1 and A2.

END OF EXHIBIT "E"

EXHIBIT "F"

ENCUMBRANCES AGAINST TITLE

1. Any facts, rights, interests, or claims which may exist or arise by reason of the following facts disclosed by survey dated June 23, 2001 prepared by Masumi Fukushima, Licensed Professional Land Surveyor, with Austin, Tsutsumi & Associates, Inc.:

   a) A galvanized iron pipe encroach form Lot 48-A-1 into Lot 46-A-1, as shown on Map I 31, filed in said Office with Land Court Application I 852 of Bishop Trust Company, Limited, as Trustee.

   b) Portions of the improvements on Lot 48-A-1 into Lot 46-A-1.

   c) Reserve parking signs are attached to a wall located within Lot 48-A-1.

   d) Junction boxes, electric lights and conduit pipe are attached to a wall located within Lot 52-A-1.

   e) A wooden fence encroaches from Lot 53, as shown on Map No 15, filed in said Office with Land Court Application No 852 of Bishop Trust Company, Limited, as Trustee, into Lot 52-A-1.

   f) Asphalt/Concrete pavement encroaches from Lot 53 into Lot 52-A-1; and

   g) Portions of the improvements on Lot 54, as shown on Map No 15, filed in said Office with Land Court Application No 852 of Bishop Trust Company, Limited, as Trustee into Lot 52-A-1.

2. –AS TO LOT 48-A-1:-

   Terms, provisions, conditions and restrictions and the failure to comply with such terms, provisions, conditions and restrictions, as contained in that certain Encroachment Agreement and License dated August 20, 2001, recorded in said Office as Document No. 2730237, by and between Verizon Hawaii, Inc., a Hawaii corporation and K.S.K. (Oahu) Limited Partnership, a Hawaii limited partnership.

3. Declaration of Condominium Property Regime of Palms at Waikiki dated May 11, 2004, recorded in said Office as Document No. 3182364 and Condominium Map No 1674.

4. Bylaws of the Association of Apartment Owners of Palms at Waikiki dated May 11, 2004, recorded in said Office as Document No. 3182365.

5. Real Property Mortgage and Financing Statement dated October 19, 2004, made by and between Laeroc Waikiki Parkside, LLC, a Hawaii limited liability company, as Mortgagor, and First Hawaiian Bank, a Hawaii corporation, as Mortgagee, recorded in said Office as Document No. 3181667.

6. UCC-1 Financing Statement recorded at the Bureau of Conveyances, showing

Debtor:	Laeroc Waikiki Parkside, LLC
Secured Party:	First Hawaiian Bank
Dated:	None Shown
Recorded:	October 19, 2004, at the Bureau of Conveyances of the State of Hawaii, Document No. 2004-213410.

7. Any unrecorded or unfiled leases, subleases or rental agreements and any liens, charges or exceptions against any lessees, sublessees or tenants named therein.

8. Real Property taxes as may be due and owning. Check with the County Tax Assessor for more information.

EXHIBIT "G"

ESTIMATED ANNUAL COMMON EXPENSE

AOAO PALMS AT WAIKIKI

Initial Estimate of Condominium Maintenance Fee Assessments & Disbursements

	Monthly	Yearly
CASH RECEIPTS		
Maintenance Fees	$91,893	$1,102,717
Vending Machines	1,000	12,000
Total Cash Receipts	$92,893	$1,114,717
CASH DISBURSEMENTS		
Utilities and Services		
Cable	4,471	53,652
Electricity	17,500	210,000
Gas/Propane	992	11,900
Refuse	1,800	21,600
Sewer/Water	7,917	95,000
Salaries		
Maintenance	6,153	73,839
Utility/Cleaning	7,111	85,336
Manager	2,431	29,166
Maintenance		
Elevator	2,269	27,232
Pest Control	351	4,206
Pool Supplies	140	1,680
Security	5,323	63,875
Grounds/landscaping	132	1,584
Management		
Audit/Tax fees	175	2,100
Legal Fees	200	2,400
Management fees	2,740	32,875
Admin. Services/Supplies	1,250	15,000
Reserve Study	100	1,200
Board Expense/Meetings	150	1,800
Taxes-Income	0	0
GET/Other	40	480
Real Property Taxes	500	6,000
Insurance		
Property	3,333	40,000
Comprehensive General Liability	1,667	20,000
Auto	25	300
Umbrella	833	10,000
Directors & Officers	225	2,700
Flood	3,937	47,242
Fidelity Bond	71	850
Boiler Machinery	225	2,700
Reserves Allocation	20,833	250,000
TOTAL DISBURSEMENTS	92,893	1,114,717
Less Misc Income	1,000	12,000
TOTAL MAINTENANCE FEE	$91,893	$1,102,717

I, Guy H. Underkoffler, as agent for/and/or employed by Paulin Group, LLC, the condominium managing agent for Palms at Waikiki condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Signature

9-13-04
Date

Pursuant to 514A-83.6, Hawaii Revised Statutes, a new association created after January 1, 1993 need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting. Developer has conducted a reserve study for the Project and the budget amount includes funding of reserves as provided in the reserve study conducted by Armstrong Consulting, Inc.

Aqua Palms at Waikiki

09/14/04

APARTMENT DESCRIPTIONS, NET SQUARE FOOTAGES, PERCENTAGE OF COMMON INTEREST
2004 MAINTENANCE FEE based on COMMON INTEREST.

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***	Monthly Maint. Fee
101	Commercial	Not Applicable	7619	None	8.564235%	7,869.94
102	Commercial	Not Applicable	390	None	0.438384%	402.85
103	Commercial	Not Applicable	136	None	0.152873%	140.48
104	Commercial	Not Applicable	94	None	0.105662%	97.10
105	Commercial	Not Applicable	136	None	0.152873%	140.48
M101	Commercial	Not Applicable	2237	None	2.514527%	2,310.68
202	E	0/1/0	360	61	0.404663%	371.86
205	I	1/1/2001	793	108	0.891382%	819.12
206	H	0/1/0	550	134	0.618235%	568.12
207	CR	0/1/0	271	48	0.304621%	279.93
209	D	0/1/0	251	14	0.282140%	259.27
210	A	0/1/0	323	41	0.363072%	333.64
211	CR	0/1/0	272	47	0.305745%	280.96
212	AR	0/1/0	322	41	0.361948%	332.61
214	B	0/1/0	291	14	0.327102%	300.58
215	C	0/1/0	272	47	0.305745%	280.96
216	AR	0/1/0	321	42	0.360824%	331.57
217	DR	0/1/0	251	14	0.282140%	259.27
218	A	0/1/0	312	42	0.350708%	322.28
219	C	0/1/0	271	47	0.304621%	279.93
220	B	0/1/0	291	14	0.327102%	300.58
221	CR	0/1/0	271	47	0.304621%	279.93
222	A	0/1/0	315	41	0.354080%	325.38
223	D	0/1/0	251	14	0.282140%	259.27
224	AR	0/1/0	314	41	0.352956%	324.34
225	CR	0/1/0	271	46	0.304621%	279.93
227	J	1/1/2001	546	46	0.613738%	563.98
301	G/ADA	0/1/0	298	46	0.334971%	307.82
302	E/ADA	0/1/0	359	43	0.403539%	370.83
303	K	0/1/0	226	14	0.254038%	233.44
304	B	0/1/0	309	14	0.347335%	319.18
305	C	0/1/0	246	48	0.276519%	254.10
306	F	0/1/0	244	40	0.274271%	252.04
307	CR	0/1/0	271	48	0.304621%	279.93
308	B/ADA	0/1/0	285	14	0.320358%	294.39

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***	Monthly Maint. Fee
309	D	0/1/0	251	14	0.282140%	259.27
310	A	0/1/0	323	41	0.363072%	333.64
311	CR	0/1/0	272	47	0.305745%	280.96
312	AR	0/1/0	322	41	0.361948%	332.61
314	B	0/1/0	291	14	0.327102%	300.58
315	C	0/1/0	272	47	0.305745%	280.96
316	AR	0/1/0	321	42	0.360824%	331.57
317	DR	0/1/0	251	14	0.282140%	259.27
318	A	0/1/0	312	42	0.350708%	322.28
319	C	0/1/0	271	47	0.304621%	279.93
320	BR	0/1/0	291	14	0.327102%	300.58
321	CR	0/1/0	271	47	0.304621%	279.93
322	A	0/1/0	315	41	0.354080%	325.38
323	D	0/1/0	251	14	0.282140%	259.27
324	AR	0/1/0	314	41	0.352956%	324.34
325	CR	0/1/0	271	46	0.304621%	279.93
327	C	0/1/0	271	46	0.304621%	279.93
329	DR/ADA	0/1/0	265	None	0.297877%	273.73
401	G/ADA	0/1/0	298	46	0.334971%	307.82
402	E/ADA	0/1/0	359	43	0.403539%	370.83
403	K	0/1/0	226	14	0.254038%	233.44
404	B	0/1/0	309	14	0.347335%	319.18
405	C	0/1/0	246	48	0.276519%	254.10
406	F	0/1/0	244	40	0.274271%	252.04
407	CR	0/1/0	271	48	0.304621%	279.93
408	B/ADA	0/1/0	285	14	0.320358%	294.39
409	D	0/1/0	251	14	0.282140%	259.27
410	A	0/1/0	323	41	0.363072%	333.64
411	CR	0/1/0	272	47	0.305745%	280.96
412	AR	0/1/0	322	41	0.361948%	332.61
414	B	0/1/0	291	14	0.327102%	300.58
415	C	0/1/0	272	47	0.305745%	280.96
416	AR	0/1/0	321	42	0.360824%	331.57
417	DR	0/1/0	251	14	0.282140%	259.27
418	A	0/1/0	312	42	0.350708%	322.28
419	C	0/1/0	271	47	0.304621%	279.93
420	BR	0/1/0	291	14	0.327102%	300.58
421	CR	0/1/0	271	47	0.304621%	279.93
422	A	0/1/0	315	41	0.354080%	325.38
423	D	0/1/0	251	14	0.282140%	259.27
424	AR/ADA	0/1/0	314	41	0.352956%	324.34
425	CR	0/1/0	271	46	0.304621%	279.93
427	C	0/1/0	271	46	0.304621%	279.93

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***	Monthly Maint. Fee
429	DR	0/1/0	265	None	0.297877%	273.73
501	G	0/1/0	298	46	0.334971%	307.82
502	E	0/1/0	359	43	0.403539%	370.83
503	K	0/1/0	226	14	0.254038%	233.44
504	B	0/1/0	309	14	0.347335%	319.18
505	C	0/1/0	246	48	0.276519%	254.10
506	H	0/1/0	550	56	0.618235%	568.12
507	CR	0/1/0	271	48	0.304621%	279.93
509	D	0/1/0	251	14	0.282140%	259.27
510	A	0/1/0	323	41	0.363072%	333.64
511	CR	0/1/0	272	47	0.305745%	280.96
512	AR	0/1/0	322	41	0.361948%	332.61
514	B	0/1/0	291	14	0.327102%	300.58
515	C	0/1/0	272	47	0.305745%	280.96
516	AR	0/1/0	321	42	0.360824%	331.57
517	DR	0/1/0	251	14	0.282140%	259.27
518	A	0/1/0	312	42	0.350708%	322.28
519	C	0/1/0	271	47	0.304621%	279.93
520	BR	0/1/0	291	14	0.327102%	300.58
521	CR	0/1/0	271	47	0.304621%	279.93
522	A	0/1/0	315	41	0.354080%	325.38
523	D	0/1/0	251	14	0.282140%	259.27
524	AR	0/1/0	314	41	0.352956%	324.34
525	CR	0/1/0	271	46	0.304621%	279.93
527	C	0/1/0	271	46	0.304621%	279.93
529	DR	0/1/0	265	None	0.297877%	273.73
601	G	0/1/0	298	46	0.334971%	307.82
602	E	0/1/0	359	43	0.403539%	370.83
603	K	0/1/0	226	14	0.254038%	233.44
604	B	0/1/0	309	14	0.347335%	319.18
605	C	0/1/0	246	48	0.276519%	254.10
606	H	0/1/0	550	56	0.618235%	568.12
607	CR	0/1/0	271	48	0.304621%	279.93
609	D	0/1/0	251	14	0.282140%	259.27
610	A	0/1/0	323	41	0.363072%	333.64
611	CR	0/1/0	272	47	0.305745%	280.96
612	AR	0/1/0	322	41	0.361948%	332.61
614	B	0/1/0	291	14	0.327102%	300.58
615	C	0/1/0	272	47	0.305745%	280.96
616	AR	0/1/0	321	42	0.360824%	331.57
617	DR	0/1/0	251	14	0.282140%	259.27
618	A	0/1/0	312	42	0.350708%	322.28
619	C	0/1/0	271	47	0.304621%	279.93

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***	Monthly Maint. Fee
620	BR	0/1/0	291	14	0.327102%	300.58
621	CR	0/1/0	271	47	0.304621%	279.93
622	A	0/1/0	315	41	0.354080%	325.38
623	D	0/1/0	251	14	0.282140%	259.27
624	AR	0/1/0	314	41	0.352956%	324.34
625	CR	0/1/0	271	46	0.304621%	279.93
627	C	0/1/0	271	46	0.304621%	279.93
629	DR	0/1/0	265	None	0.297877%	273.73
701	G	0/1/0	298	46	0.334971%	307.82
702	E	0/1/0	360	43	0.404663%	371.86
703	K	0/1/0	226	14	0.254038%	233.44
704	B	0/1/0	309	14	0.347335%	319.18
705	C	0/1/0	246	48	0.276519%	254.10
706	F	0/1/0	244	40	0.274271%	252.04
707	CR	0/1/0	271	48	0.304621%	279.93
708	B	0/1/0	285	14	0.320358%	294.39
709	D	0/1/0	251	14	0.282140%	259.27
710	A	0/1/0	323	41	0.363072%	333.64
711	CR	0/1/0	272	47	0.305745%	280.96
712	AR	0/1/0	322	41	0.361948%	332.61
714	B	0/1/0	291	14	0.327102%	300.58
715	C	0/1/0	272	47	0.305745%	280.96
716	AR	0/1/0	321	42	0.360824%	331.57
717	DR	0/1/0	251	14	0.282140%	259.27
718	A	0/1/0	312	42	0.350708%	322.28
719	C	0/1/0	271	47	0.304621%	279.93
720	BR	0/1/0	291	14	0.327102%	300.58
721	CR	0/1/0	271	47	0.304621%	279.93
722	A	0/1/0	315	41	0.354080%	325.38
723	D	0/1/0	251	14	0.282140%	259.27
724	AR	0/1/0	314	41	0.352956%	324.34
725	CR	0/1/0	271	46	0.304621%	279.93
727	C	0/1/0	271	46	0.304621%	279.93
729	DR	0/1/0	265	None	0.297877%	273.73
801	G	0/1/0	298	46	0.334971%	307.82
802	E	0/1/0	360	43	0.404663%	371.86
803	K	0/1/0	226	14	0.254038%	233.44
804	B	0/1/0	309	14	0.347335%	319.18
805	C	0/1/0	246	48	0.276519%	254.10
806	F	0/1/0	244	40	0.274271%	252.04
807	CR	0/1/0	271	48	0.304621%	279.93
808	B	0/1/0	285	14	0.320358%	294.39
809	D	0/1/0	251	14	0.282140%	259.27

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***	Monthly Maint. Fee
810	A	0/1/0	323	41	0.363072%	333.64
811	CR	0/1/0	272	47	0.305745%	280.96
812	AR	0/1/0	322	41	0.361948%	332.61
814	B	0/1/0	291	14	0.327102%	300.58
815	C	0/1/0	272	47	0.305745%	280.96
816	AR	0/1/0	321	42	0.360824%	331.57
817	DR	0/1/0	251	14	0.282140%	259.27
818	A	0/1/0	312	42	0.350708%	322.28
819	C	0/1/0	271	47	0.304621%	279.93
820	BR	0/1/0	291	14	0.327102%	300.58
821	CR	0/1/0	271	47	0.304621%	279.93
822	A	0/1/0	315	41	0.354080%	325.38
823	D	0/1/0	251	14	0.282140%	259.27
824	AR	0/1/0	314	41	0.352956%	324.34
825	CR	0/1/0	271	46	0.304621%	279.93
827	C	0/1/0	271	46	0.304621%	279.93
829	DR	0/1/0	265	None	0.297877%	273.73
901	G	0/1/0	298	46	0.334971%	307.82
902	E	0/1/0	360	43	0.404663%	371.86
903	K	0/1/0	226	14	0.254038%	233.44
904	B	0/1/0	309	14	0.347335%	319.18
905	C	0/1/0	246	48	0.276519%	254.10
906	F	0/1/0	244	40	0.274271%	252.04
907	CR	0/1/0	271	48	0.304621%	279.93
908	B	0/1/0	285	14	0.320358%	294.39
909	D	0/1/0	251	14	0.282140%	259.27
910	A	0/1/0	323	41	0.363072%	333.64
911	CR	0/1/0	272	47	0.305745%	280.96
912	AR	0/1/0	322	41	0.361948%	332.61
914	B	0/1/0	291	14	0.327102%	300.58
915	C	0/1/0	272	47	0.305745%	280.96
916	AR	0/1/0	321	42	0.360824%	331.57
917	DR	0/1/0	251	14	0.282140%	259.27
918	A	0/1/0	312	42	0.350708%	322.28
919	C	0/1/0	271	47	0.304621%	279.93
920	BR	0/1/0	291	14	0.327102%	300.58
921	CR	0/1/0	271	47	0.304621%	279.93
922	A	0/1/0	315	41	0.354080%	325.38
923	D	0/1/0	251	14	0.282140%	259.27
924	AR	0/1/0	314	41	0.352956%	324.34
925	CR	0/1/0	271	46	0.304621%	279.93
927	C	0/1/0	271	46	0.304621%	279.93
929	DR	0/1/0	265	None	0.297877%	273.73

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***	Monthly Maint. Fee
1001	G	0/1/0	298	46	0.334971%	307.82
1002	E	0/1/0	360	43	0.404663%	371.86
1003	K	0/1/0	226	14	0.254038%	233.44
1004	B	0/1/0	309	14	0.347335%	319.18
1005	C	0/1/0	246	48	0.276519%	254.10
1006	F	0/1/0	244	40	0.274271%	252.04
1007	CR	0/1/0	271	48	0.304621%	279.93
1008	B	0/1/0	285	14	0.320358%	294.39
1009	D	0/1/0	251	14	0.282140%	259.27
1010	A	0/1/0	323	41	0.363072%	333.64
1011	CR	0/1/0	272	47	0.305745%	280.96
1012	AR	0/1/0	322	41	0.361948%	332.61
1014	B	0/1/0	291	14	0.327102%	300.58
1015	C	0/1/0	272	47	0.305745%	280.96
1016	AR	0/1/0	321	42	0.360824%	331.57
1017	DR	0/1/0	251	14	0.282140%	259.27
1018	A	0/1/0	312	42	0.350708%	322.28
1019	C	0/1/0	271	47	0.304621%	279.93
1020	BR	0/1/0	291	14	0.327102%	300.58
1021	CR	0/1/0	271	47	0.304621%	279.93
1022	A	0/1/0	315	41	0.354080%	325.38
1023	D	0/1/0	251	14	0.282140%	259.27
1024	AR	0/1/0	314	41	0.352956%	324.34
1025	CR	0/1/0	271	46	0.304621%	279.93
1027	C	0/1/0	271	46	0.304621%	279.93
1029	DR	0/1/0	265	None	0.297877%	273.73
1101	G	0/1/0	298	46	0.334971%	307.82
1102	E	0/1/0	360	43	0.404663%	371.86
1103	K	0/1/0	226	14	0.254038%	233.44
1104	B	0/1/0	309	14	0.347335%	319.18
1105	C	0/1/0	246	48	0.276519%	254.10
1106	F	0/1/0	244	40	0.274271%	252.04
1107	CR	0/1/0	271	48	0.304621%	279.93
1108	B	0/1/0	285	14	0.320358%	294.39
1109	D	0/1/0	251	14	0.282140%	259.27
1110	A	0/1/0	323	41	0.363072%	333.64
1111	CR	0/1/0	272	47	0.305745%	280.96
1112	AR	0/1/0	322	41	0.361948%	332.61
1114	B	0/1/0	291	14	0.327102%	300.58
1115	C	0/1/0	272	47	0.305745%	280.96
1116	AR	0/1/0	321	42	0.360824%	331.57
1117	DR	0/1/0	251	14	0.282140%	259.27
1118	A	0/1/0	312	42	0.350708%	322.28

Apartment Number	Apartment Types*	Bedrooms/ Baths/Kitchen	Net Square Footage**	Net Lanai Area	Common Interest***	Monthly Maint. Fee
1119	C	0/1/0	271	47	0.304621%	279.93
1120	BR	0/1/0	291	14	0.327102%	300.58
1121	CR	0/1/0	271	47	0.304621%	279.93
1122	A	0/1/0	315	41	0.354080%	325.38
1123	D	0/1/0	251	14	0.282140%	259.27
1124	AR	0/1/0	314	41	0.352956%	324.34
1125	CR	0/1/0	271	46	0.304621%	279.93
1127	C	0/1/0	271	46	0.304621%	279.93
1129	DR	0/1/0	265	None	0.297877%	273.73
1201	J	1/1/2001	751	101	0.844171%	775.74
1202	L	0/1/0	329	39	0.369817%	339.84
1203	M	0/1/0	326	40	0.366444%	336.74
1204	N	0/1/0	466	61	0.523813%	481.35
1205	O	1/1/2001	648	78	0.728393%	669.34
1207	P	1/1/2001	684	98	0.768859%	706.53
1208	Q	1/1/2001	559	None	0.628351%	577.41
1209	R	1/1/2001	527	None	0.592381%	544.36
1210	S	1/1/2001	538	None	0.604746%	555.72
	TOTAL				100.000000%	91,894

EXHIBIT "H"

SUMMARY OF PALMS AT WAIKIKI PURCHASE AGREEMENT

A specimen Purchase Agreement ("Agreement"), has been submitted to the Real Estate Commission. ALL PURCHASERS AND PROSPECTIVE PURCHASERS SHOULD CAREFULLY READ THE AGREEMENT IN FULL since this summary is NOT A COMPLETE DESCRIPTION of its contents. The Agreement contains, among other things, the following terms and conditions (which may be modified or otherwise limited by provisions which are not summarized hereinbelow):

A. The Seller (Developer) has engaged Fidelity National Title Insurance Company, Inc. ("Escrow") to handle Purchaser's funds and to close the transaction in accordance with the terms of the Agreement.

B. The Purchase Price does not include closing costs which include among other things, the escrow fee, cost of a preliminary title report, cost of preparation of the Apartment Deed, real property tax, maintenance fees and other prorations, all acknowledgment fees, conveyance taxes, title insurance, if requested by Purchaser, cost of any lender's title insurance, appraisal fees, costs for drafting of any notes and mortgages, all recording costs or fees, loan fees, credit report costs and all other applicable mortgage costs. Purchaser shall pay as additional sums the Association start-up fees, estimated reserves and other fees, as provided in the Agreement.

C. Purchaser agrees to deliver, within fifteen (15) days after Seller's acceptance of the offer, written evidence of Purchaser's ability to make the cash payment for the balance of the purchase price.

D. The "Closing Date" shall be the date designated by Seller. All payments not previously made pursuant to the terms of the Agreement shall be due and payable as of the Closing Date, and, if not paid in the manner set forth in the Agreement, shall result in a default by Purchaser under the Agreement.

E. The Purchaser specifically acknowledges and agrees that the Declaration contains reservations of certain rights in favor of Seller, the Association and other owners and contains certain other provisions to which the Purchaser consents.

F. If Purchaser, after the delivery by Seller of a copy of the Final Public Report, either personally or by registered or certified mail with return receipt requested, shall fail to execute a form of receipt and notice of Purchaser's right to cancel the Agreement (or shall fail to give his or her written approval or acceptance to any material change to the Project as requested by Seller pursuant to the provisions of Hawaii Revised Statutes, Section 514A-63, as amended) within thirty (30) days of such receipt, Seller may at its option: (i) cancel the Agreement upon ten (10) days' written notice to Purchaser of such cancellation and upon such cancellation Seller shall cause Escrow to refund to Purchaser all payments previously made by Purchaser without interest and less any escrow cancellation fees and other costs, up to $250; or (ii) elect (by its failure to give said written notice of cancellation) to treat such failure as a deemed acceptance ("Deemed Receipt") of such Public Reports and as a waiver of the right to cancel this Agreement (or as a Deemed Receipt of such material change, as the case may be). In the event that Purchaser shall close the purchase of the Property within said thirty (30) day period (and prior to the time the Purchaser shall have executed a waiver of the right to cancel or approve of material change), such closing shall also constitute a Deemed Receipt of the Final Public Report and/or material change (as applicable).

G. Purchaser agrees that it will not assign the Agreement to anyone. Seller may, without any consent of Purchaser, freely assign Seller's interests therein.

H. Purchaser agrees to intentionally waive, relinquish and subordinate the priority or superpriority of any interest under the Agreement in favor of the liens or charges upon the Project of the Seller's lenders mortgage loans.

I. Purchaser expressly acknowledges, consents to and approves all of the disclaimers, disclosures, and other matters described in Section 13, Subsections a. through h. of the Agreement, and Purchaser assumes any and all risks in connection with each of those matters. Purchasers are encouraged to review Section 13 of the Agreement carefully to fully understand the matters set forth therein.

J. Purchaser shall not be entitled to possession of the Apartment as the owner thereof until Purchaser has completed all required payments and has executed all documents relating to the purchase, and Purchaser has performed the remaining terms and conditions of the Agreement which are to be performed as of the Closing.

L. Seller, in its sole discretion, and in addition to any other rights of cancellation or termination reserved to Seller, may elect to cancel the Agreement if Purchaser defaults under the Agreement. Purchaser may lose its deposit with Escrow and Seller. Seller may, at its option, pursue other legal remedies. If Seller defaults under the Agreement, and Purchaser is not in default, Purchaser shall be entitled to specific performance of the Agreement or, if specific performance is unavailable, shall have the right to cancel the Agreement and a refund of Purchaser's deposit, including interest, as set forth in the Agreement.

M. Notices to either party may be delivered personally or mailed.

N. The Purchaser acknowledges that Purchaser has entered into the Agreement without any reference or representation by Seller or any sales person that the Seller, or any managing agent of the Project or anyone else affiliated with the Seller will provide, directly or indirectly, any services relating to the rental or sale or management of the Apartment purchased.

O. The laws of the State of Hawaii shall govern all matters with respect to the Agreement.

P. Purchaser specifically acknowledges that Seller has reserved the right for itself, its sales representatives and prospective purchasers to utilize the common elements of the Project for ingress and egress and to show the common elements to prospective purchasers.

* * * * *

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS CONTAINED IN THE AGREEMENT. WHILE A PURCHASER CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF PURCHASER'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT, PURCHASER MUST REFER TO THE AGREEMENT TO DETERMINE PURCHASER'S ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE AGREEMENT, THE AGREEMENT WILL CONTROL.

END OF EXHIBIT "H"

EXHIBIT "I"

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement (Palms at Waikiki) dated May 11, 2004, contains among others, the following terms and conditions (which may be modified or otherwise limited by provisions which are not summarized hereinbelow):

A. When Seller (Developer) shall enter into a purchase agreement for the conveyance of an apartment or other interest in the Project ("Purchase Agreement"), it shall require the payments of deposits due thereunder to be promptly made to Escrow, and shall deliver an executed copy of the Purchase Agreement to Escrow together with the address of the Purchaser. Seller shall also promptly pay over to Escrow all monies (including checks) received by Seller from or on behalf of the Purchasers, including those received on any Purchase Agreement, and all payments made on loan commitments from lending institutions on account of any apartment in the Project, other than funds received from interim financing.

B. Escrow shall receive, deposit and hold in separate escrow accounts and disburse as set forth in the Agreement: (a) all payments received by it under Purchase Agreements, and (b) such sums received by it under the Agreement from or for the account of Seller. Escrow shall not at any time commingle or permit the commingling of any Purchaser's funds with funds belonging to or held for the benefit of Seller. All funds and instruments received from Purchasers or prospective Purchasers shall be held by Escrow in accordance with the provisions contained in Chapter 514A of the Hawaii Revised Statutes. All monies received by Escrow hereunder shall be deposited, within a reasonable time of the receipt by Escrow and in reasonably convenient and practical sums, in an interest-bearing account with a federal insured bank or savings and loan company under an escrow arrangement, and shall be held in immediately available funds in accordance with the terms the Agreement.

C. Escrow shall make no disbursements of Purchasers' funds or proceeds from the sale of apartments in the Project (including any payments made on loan commitments from lending institutions), except by way of refunds thereof as provided in the Agreement, until Escrow has received written certification from Seller stating that the Purchase Agreements have "become binding" and "the requirements of Sections 514A-39.5, 514A-40 and 514A-63" of the Hawaii Revised Statutes have been met, as said phrases are used in Section 514A-65, Hawaii Revised Statutes, and further, that a Final Public Report for the Project has been issued by the Real Estate Commission and Escrow has received a copy of Purchaser's receipt for Final Public Report and waiver of right to cancel, or thirty (30) days have elapsed since Purchaser receipted for such Final Public Report.

D. Each Purchaser shall be entitled to a return of his or her funds, without interest and less any cancellation fee, and Escrow shall pay such funds to such Purchaser, promptly after request for return by the Purchaser if one of the following has occurred:

(1) Escrow receives a written request from Seller to return to the Purchaser the funds of the Purchaser then being held by Escrow;

(2) Seller notifies Escrow in writing of Seller's exercise of the option to rescind the Purchase Agreement pursuant to any right of rescission stated therein or otherwise available to Seller;

(3) Purchaser's funds were obtained prior to the issuance of a Final Public Report and the Final Public Report is not issued within thirteen (13) months of the date of issuance of the Preliminary Public Report;

(4) There is any material change in the Project which directly, substantially and adversely affects the use or value of Purchaser's Apartment, the limited common elements appurtenant to such Apartment, or the amenities of the Project available for Purchaser's use which Purchaser has not approved in writing, and Purchaser has not accepted the Apartment or occupied it for more than ninety (90) days, or Purchaser is otherwise entitled to rescind as provided in H.R.S. Section 514-A-63; or

(5) After the Final Public Report is delivered, the Purchaser notifies Seller in writing that Purchaser has decided to cancel the Purchase Agreement within thirty (30) days of Purchaser's receipt of the Final Public Report.

Upon the return of said funds to the Purchaser as aforesaid, Escrow shall return to Seller such Purchaser's Purchase Agreement and any conveyancing documents theretofore delivered to Escrow pursuant to such Purchase Agreement; and thereupon the Purchaser shall no longer be obligated under the Purchase Agreement. Other documents delivered to Escrow relating to the sale of the apartment identified in such Purchase Agreement will be returned to the person from whom or entity from which they were received.

Upon the cancellation of any Purchase Agreement as specified above, Escrow shall be entitled to a cancellation fee of up to $100. Notwithstanding anything contained in the Purchase Agreement or Escrow Agreement to the contrary, the cancellation fee is the sole expense of the individual Purchaser and not the obligation of Seller.

* * * * *

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS CONTAINED IN THE ESCROW AGREEMENT. WHILE A PURCHASER CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF THE ESCROW AGREEMENT, PURCHASER MUST REFER TO THE ESCROW AGREEMENT TO DETERMINE PURCHASER'S ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE ESCROW AGREEMENT, THE ESCROW AGREEMENT WILL CONTROL.

END OF EXHIBIT "I"

EXHIBIT "J"

SUMMARY OF APARTMENT DEED FORM

The specimen Palms at Waikiki Apartment Deed, Encumbrances and Reservations of Rights ("Deed" or "Apartment Deed") contains among others, the following provisions (which may be modified or otherwise limited by provisions which are not summarized hereinbelow):

A. The premises conveyed comprises a portion of Palms at Waikiki Condominium Property Regime situate at Waikiki, City and County of Honolulu, State of Hawaii.

B. Grantor (Developer) is the lawful owner of the fee simple interest in the real property and the rights to be transferred to the Grantee (Purchaser); that the same are free and clear of and from all encumbrances except as identified in the Deed and except for the lien of real property taxes not yet by law required to be paid; that the Grantor has good right and title to sell and convey said real property in the manner set forth in the Deed; and the Grantor will WARRANT AND DEFEND the same unto the Grantee forever against the lawful claims and demands of all persons, except as mentioned in the Deed.

C. Grantor is the lawful owner of all of the furniture and furnishings, if any, located in the Property as of the date of the Apartment Deed; that Grantor has good right to convey and to sell said furniture and furnishings; and that Grantor has not heretofore done, committed or willingly suffered to be done or committed, any act or thing whatsoever whereby said furniture and furnishings, or any part thereof, are or shall be charged or encumbered; and that Grantor will WARRANT AND DEFEND the same unto Grantee against the lawful claims and demands of all persons claiming by, through or under Grantor, except as is herein provided.

D. Grantee understands and agrees that the Property and the furniture and furnishings, if any, is being conveyed "AS IS, WHERE IS AND WITH ALL FAULTS".

E. Grantee agrees, for the benefit of all other owners of the other apartments in the Project, to at all times observe, perform, comply with and abide by all of the covenants, agreements, obligations, conditions and other provisions set forth in the Declaration, the Bylaws and the House Rules as any of the same exist or may hereafter be amended in accordance with law and does accept and approve of the Declaration, Bylaws and House Rules.

F. Grantee acknowledges and agrees that Grantee has examined (or waived such examination), and has approved the following Project documents (and any and amendments to said documents): the Declaration, Bylaws and Condominium Map, the House Rules, the Escrow Agreement and Supplementary Public Report issued for the Project. In addition, Grantee agrees and acknowledges that each of the acknowledgments and agreements made by Grantee in the Deposit Receipt and Sales Contract, including all addenda thereto, covering the Property shall survive the recordation of this Deed.

G. Grantee agrees and consents to the exercise by Grantor of any of its reserved rights set forth in the Declaration, and Grantee agrees to sign such documents and do such things as may be required to permit Grantor to exercise those reserved rights, including signing, delivery and recording of all documents which may be necessary, and Grantee appoints Grantor as Grantee's "attorney-in-fact" which means that Grantor can act for Grantee or on Grantee's behalf, with "full power of substitution," which means that someone else may take Grantor's place to sign, deliver and record all documents and to do all things on Grantee's behalf.

* * * * *

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS CONTAINED IN THE APARTMENT DEED. WHILE A PURCHASER CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF THE APARTMENT DEED, PURCHASER MUST REFER TO THE APARTMENT DEED TO DETERMINE PURCHASER'S ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE APARTMENT DEED, THE APARTMENT DEED WILL CONTROL.

EXHIBIT "K"

PARKING

There are one hundred forty two (142) parking stalls in the Project, all of which are covered. Seventy five (75) parking stalls are standard sized, sixty (60) parking stalls are compact sized, five (5) are handicapped-accessible stalls, and two parking stalls identified as stalls A1 and A2, are compact, however, they are not up to City and County of Honolulu standards and are therefore, nonconforming. Adequate legal parking in the Project exists notwithstanding the non-conforming status of stalls A1 and A2. All parking stalls are Limited Common Elements appurtenant to Apartment M101 to be retained by the Developer. The Developer may, but is under no obligation, to offer parking stalls for sale to purchasers, however, stalls A-1 and A-2 will not be offered for sale and may in the future, be transferred to an apartment in the Project owned by the Association or converted to a common element as contemplated by Paragraph XXV. of the Declaration in the Developer's sole discretion.

END OF EXHIBIT "K"

EXHIBIT "L"

RESERVE STUDY SUMMARY

The Developer had a Level 1 Reserve Study done in June, 2004. Attached are the first seven pages of the 83 page report that summarizes what is a Reserve Study, what it contains, the levels of reports, and what they must disclose. Each purchaser will be given, under separate cover, a copy of the entire June, 2004 report, including particulars on each reserve component.

PROSPECTIVE PURCHASERS ARE URGED TO REVIEW THE ENTIRE RESERVE STUDY WITH CARE. THE STUDY ADDRESSES WHAT MAJOR COMMON AREA COMPONENTS MUST BE REPLACED, WHEN, AT WHAT COST AND HOW IT WILL BE PAID FOR.

2005
RESERVE STUDY
FOR

Palms At Waikiki

Revised *June 30, 2004*

Prepared by **Armstrong Consulting, Inc.**

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2005
RESERVE STUDY
FOR
Palms At Waikiki

Revised June 30, 2004

A level one (1) study was performed according to the Community Associations Institute (CAI) Reserve Study Standards. (*See attached standards.*)

On-site visual observations of the common area elements [i.e., roofs, parking areas, paint, etc.] were performed on March 19, 2004 by Dale Armstrong and James Donnelly.

This report may also rely on information supplied by the property manager, Board of Directors, resident manager, contractors and published replacement guides modified for local conditions related to reconstruction.

The placement of a useful life on common elements is not an exact science. There are many variables that affect their life. For example, weather, usage, vandalism and proper maintenance. Therefore, we recommend a review of the physical analysis every three years or at any time of a major condition change [i.e., storm damage] and an update of the financial analysis every year.

Disclosure; as an impartial third party, Armstrong Consulting, Inc. also provides construction management for Association's reserve projects, by being the Association's representative.

This report was either prepared or reviewed by Dale Armstrong, R.S.

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COMMUNITY ASSOCIATIONS INSTITUTE (CAI)
RESERVE STUDY STANDARDS

What is a Reserve Study?

A Reserve Study is made up of two parts, 1) the information about the physical status and repair/replacement cost of the major common area components the association is obligated to maintain (Physical Analysis), and 2) the evaluation and analysis of the association's Reserve balance, income, and expenses (Financial Analysis). The Physical Analysis is comprised of the Component Inventory, Condition Assessment, and Life and Valuation Estimates. The Component Inventory should be relatively "stable" from year to year, while the Condition Assessment and Life and Valuation Estimates will necessarily change from year to year. The Financial Analysis is made up of a finding of the client's current Reserve Fund Status (measured in cash or as Percent Funded) and a recommendation for an appropriate Reserve contribution rate (Funding Plan).

Physical Analysis	Financial Analysis
Component Inventory Condition Assessment Life and Valuation Estimates	Fund Status Funding Plan

Reserve Study Contents

The following is a list of the minimum contents to be included in the Reserve Study.

- A summary of the association's number of units, physical description, and Reserve Fund financial condition.
- A projection of Reserve Starting Balance, recommended Reserve contributions, projected Reserve expenses, and projected ending Reserve Fund Balance for a minimum of 20 years.
- A tabular listing of the Component Inventory, component quantity or identifying descriptions, Useful Life, Remaining Useful Life, and Current Replacement Cost.
- A description of methods and objectives utilized in computing the Fund Status and development of the Funding Plan.
- Source(s) utilized to obtain component Repair or Replacement cost estimates.
- A description of the Level of Service by which the Reserve Study was prepared.
- Fiscal year for which the Reserve Study is prepared.

Levels of Service

The following three categories describe the various types of Reserve Studies, from exhaustive to minimal.

I. Full: A Reserve Study in which the following five Reserve Study tasks are performed:
- Component Inventory
- Condition Assessment (based upon on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

II. Update, With-Site-Visit/On-Site Review: A Reserve Study update in which the following five Reserve Study tasks are performed:

- Component Inventory (verification only, not quantification)
- Condition Assessment (based on on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

III. Update, No-Site-Visit/Off-Site Review: A Reserve Study update with no on-site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Fund Status
- Funding Plan

Disclosures

The following are the minimum disclosures to be included in the Reserve Study.

General: Description of other involvement(s) with the association that could result in actual or perceived conflicts of interest.

Physical Analysis: Description of how thorough the on-site observations were performed: representative sampling vs. all common areas, destructive testing or not, field measurements vs. drawing take-offs, etc.

Financial Analysis: Description of assumptions utilized for interest and inflation, tax, and other outside factors.

Personnel Credentials: State or organizational licenses or credentials carried by the individual responsible for Reserve Study preparation or oversight.

Update Reports: Disclosure of how the current work is reliant on the validity of prior Reserve Studies.

Completeness: Material issues which, if not disclosed, would cause a distortion of the association's situation.

Reliance on Client Data: Information provided by the official representative of the association regarding financial, physical, quantity, or historical issues will be deemed reliable by the consultant. The reserve study will be a reflection of information provided to the consultant and assembled for the association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.

Reserve Balance: The actual or projected total presented in the reserve study is based upon information provided and was not audited.

Component Quantities: For Update With-Site-Visit and Update No-Site-Visit Levels of Service, the client is considered to have deemed previously developed component quantities as accurate and reliable.

Reserve Projects: Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit or quality inspection.

Terms and Definitions

CASH FLOW METHOD: A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

COMPONENT: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See "Cash Flow Method."

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See "Replacement Cost."

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulas can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

FFB = Current Cost X Effective Age / Useful Life
or
FFB = (Current Cost X Effective Age / Useful Life) + [(Current Cost X Effective Age / Useful Life) / (1 + Interest Rate) ^ Remaining Life] - [(Current Cost X Effective Age / Useful Life) / (1 + Inflation Rate) ^ Remaining Life]

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

- Baseline Funding: Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.
- Full Funding: Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.
- Statutory Funding: Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statues.
- Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

FUNDING PLAN: An association's plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

PERCENT FUNDED: The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

REMAINING USEFUL LIFE (RUL): Also referred to as "Remaining Life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" Remaining Useful Life.
REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual who prepares Reserve Studies.

RESERVE STUDY: A budget planning tool that identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. "Our budget and finance committee is soliciting proposals to update our Reserve Study for next year's budget."

RESPONSIBLE CHARGE: A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services that directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; expect for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT: An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

SURPLUS: An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See "Deficit."

USEFUL LIFE (UL): Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

HAWAII'S AMENDMENT TO ALLOW CASH FLOW ANALYSIS

HB 70

"Cash flow plan" means a twenty-year projection of an association's future income and expense requirements to fund fully its replacement reserves requirements each year during that twenty-year period, except in an emergency; provided that it does not include a projection of special assessments or loans during that twenty-year period, except in an emergency.

Courtesy of Armstrong Consulting, Inc.