CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer HIDC 1054 DEVELOPMENT, LLC, a Hawaii limited liability company
Address 931 University Avenue, Suite 105, Honolulu, HI 96826

Project Name(*): 1054 KALO PLACE
Address: 1054 Kalo Place, Honolulu, HI 96826

Registration No. 5450 (Conversion)

Effective date: August 31, 2004
Expiration date: October 1, 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.

[X] No prior reports have been issued.
[ ] This report supersedes all prior public reports.
[ ] This report must be read together with _____

____ **SUPPLEMENTARY: (pink)**

This report updates information contained in the: _____
[ ] Preliminary Public Report dated: _____
[ ] Final Public Report dated: _____
[ ] Supplementary Public Report dated: _____

And

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

(*) Exactly as named in the Declaration

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 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:

[X] Required and attached to this report as Exhibit "J"

[ ] 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:

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

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

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

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

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

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

Operation of the Condominium Project

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

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

Until there is 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: HIDC 1054 Development, LLC
Name*
931 University Avenue, Suite 105
Business Address
Honolulu, HI 96826
Phone: (808) 951-8976 (Business)

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):

Hawaiian Island Development Co., Inc., a Hawaii corporation, its sole member (Peter Savio, President)

Real Estate Broker*: Hawaiian Island Homes Ltd.
Name
931 University Avenue, Suite 207
Business Address
Honolulu, HI 96826
Phone: (808) 946-3222 (Business)

Escrow: Title Guaranty Escrow Services of Hawaii, Inc.
Name
235 Queen Street
Business Address
Honolulu, HI 96813
Attn: Ms. Barbara Paulo
Phone: (808) 521-0209 (Business)

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

Condominium Managing Agent*: Hawaiian Island Homes Ltd.
Name
931 University Avenue Suite 207
Business Address
Honolulu, HI 96826
Phone: (808) 946-3222 (Business)

Attorney for Developer: Chun, Kerr, Dodd, Beaman & Wong
Name
745 Fort Street, 9th Floor
Business Address
Honolulu, HI 96813
Attn: Andrew R. Bunn, Esq.
Kaleen S. H. Miyasato, Esq.
Phone: (808) 528-8200 (Business)

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

II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

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

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

The Declaration for this condominium is:

[ ] Proposed
[X] Recorded - Bureau of Conveyances — Document No. 2004-167329
Book _____ Page _____
[ ] Filed - Land Court — Document Number _____

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

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

The Condominium Map for this condominium project is:

[ ] Proposed
[X] Recorded - Bureau of Conveyances Condo Map No. 3822
[ ] Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

[ ] Proposed
[X] Recorded - Bureau of Conveyances — Document No. 2004-167330
Book _____ Page _____
[ ] Filed - Land Court — Document No. _____

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

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

The House Rules for this condominium are:

[ ] Proposed [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	---	Majority of quorum of apartment owners

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

2. Developer:

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

[X] Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules: (The following is excerpted from Section 21 of the Declaration)

Notwithstanding the sale and conveyance of any of the apartments, the Declaration (including the Bylaws and, when applicable, the Condominium Map) may be amended by Developer (a) by filing the verified statement of a registered architect or professional engineer (with plans, if applicable) required by Section 514A-12 of the Act, certifying that the final plans theretofore recorded, or being recorded simultaneously with such statement, fully and accurately depict the layout, location, apartment numbers and dimensions of the apartments as built; or (b) to effect any change or amendment required by an administrative agency of any county, state, or federal government or by any territory, possession, or foreign country or other foreign jurisdiction or a mortgagee of the fee or leasehold interests in the Land as a condition to governmental approvals, marketing the Project or making a loan to finance the construction and/or the sales of the Project.

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 includes the underlying land will be leasehold.

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

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

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

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

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

For Sub-leaseholds:

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

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

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

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

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

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

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

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

[ ] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the 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: 1054 Kalo Place
Honolulu, HI 96826

Tax Map Key (TMK): (1) 2-8-24-24

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

Land Area: 28,972 [X] square feet [ ] acre(s) Zoning: A-2 (Medium Density Apartment)

Fee Owner: HIDC 1054 Development, LLC
Name
931 University Avenue, Suite 105
Address
Honolulu, HI 96826

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: 2 Floors Per Building: Main Building: 4 Laundry Building: 1

[X] Exhibit A contains further explanations.

3. Principal Construction Material:

[X] Concrete [X] Hollow Tile [ ] Wood

[ ] Other

4. Uses Permitted by Zoning:

		No. of Apts.	Use Permitted By Zoning	
[ ]	Residential		[ ] Yes	[ ] No
[ ]	Commercial		[ ] Yes	[ ] No
[ ]	Mix Res/Comm		[ ] Yes	[ ] No
[ ]	Hotel		[ ] Yes	[ ] No
[ ]	Timeshare		[ ] Yes	[ ] No
[ ]	Ohana		[ ] Yes	[ ] No
[ ]	Industrial		[ ] Yes	[ ] No
[ ]	Agricultural		[ ] Yes	[ ] No
[ ]	Recreational		[ ] Yes	[ ] No
[X]	Other* (Student housing)	24	[X] Yes	[ ] No
[X]	Other** (Laundry Apartment)	1	[X] Yes	[ ] No

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

* Restricted to student housing / dormitory use, which is permitted in multi-family dwellings under A-2 zoning.

**Commercial activity restricted to accessory uses permitted for a multi-family dwelling by A-2 zoning.

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 See Exhibit B
[ ] Number of Occupants: _____
[X] Other: See Exhibit B
[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: None Stairways: 2 Trash Chutes: None

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
Makai	12	4BR/2BA	1,181 sf	N/A	N/A
Corner	4	4BR/2BA	1,234 sf	N/A	N/A
Ewa	8	4BR/2BA	1,181 sf	N/A	N/A
Laundry	1	0	N/A	500 sf	Laundry

Total Number of Apartments: 25

*** 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:
Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer ~~has~~ has not elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 31

	Regular Covered	Regular Open	Compact Covered	Compact Open	Tandem Covered	Tandem Open	TOTAL
Assigned (for each unit)		30					30
Guest							
Unassigned							
Extra for Purchase							
Other: Loading		1					1
Total Covered & Open:		31		0		0	31

Each apartment will have the exclusive use of at least 1 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

[ ] Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities.

[ ] There are no recreational or common facilities.

[X] Swimming pool [X] Storage Area [X] Recreation Area

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

[ ] Other: _____

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

See Exhibit J (Disclosure Abstract).

11. Conformance to Present Zoning Code

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

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

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

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

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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

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

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

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

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

[X] described in Exhibit F

[ ] as follows:

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

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

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

[X] described in Exhibit F*.

[ ] as follows:

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

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

[X] described in Exhibit F.

[ ] 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 G describes the encumbrances against the title contained in the title report dated August 11, 2004 and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

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

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

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

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

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien Foreclosed **Prior to Conveyance**
Purchase Money Mortgage	Lender has priority over Buyer's rights under a sales contract, and has the right to terminate sales contracts upon foreclosure of its mortgage before an apartment sale is closed. Should the lender terminate Buyer's sales contract, Buyer shall be entitled to a refund of all deposits, less escrow cancellation fees.

F. Construction Warranties:

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

1. Building and Other Improvements: N/A

2. Appliances: N/A

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

The Project buildings were constructed in 1970.

H. **Project Phases:**

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

[ ] *not affiliated with the Developer*
[ ] self-managed by the Association of Apartment Owners
[X] the Developer or the 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 __J__ 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 removal; telephone

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 August 13, 2004
Exhibit I contains a summary of the pertinent provisions of the escrow agreement.

[ ] Other _____

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

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

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

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

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

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

B) The buyer is given an opportunity to read the report(s); **AND**

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

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

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

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

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

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

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

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's sales agent, if any. 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. 5450 filed with the Real Estate Commission on August 16, 2004.

Reproduction of Report. When reproduced, this report must be on:

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

C. Additional Information Not Covered Above

1. Hazardous Materials. The Developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Buyer acknowledges that in light of the age of the Project, there may be hazardous substances in the apartments or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment inspected to determine the extent (if any) of such contamination and of any necessary remedial action. The Developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the Developer from any liability to Buyer if any hazardous materials are discovered.

2. Lead-Based or Lead-Containing Paint. Buyer is hereby notified that the Project may 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. The Developer is required by law to provide Buyer with any information on lead-based or lead-containing paint hazards from risk assessments or inspections in the Developer's possession and notify Buyer of any known lead-based or lead-containing paint hazards. The Developer hereby discloses that the Developer has no knowledge of lead-based or lead-containing paint and/or lead-based or lead-containing paint hazards at the Project. A risk assessment or inspection for possible lead-based or lead-containing paint hazards is recommended prior to purchase.

3. Mold/Mildew. Buyer is hereby advised that tropical climates with warm temperatures, high humidity and frequent precipitation are conducive to the propagation of mold, mildew, fungus and other types of bacterial growths. Though the buildings and other improvements that are a part of the Project may be cleaned to satisfactory appearance, the Developer cannot guaranty that mold, mildew, fungus and other types of bacterial growths can be eliminated. The buildings in the Project are old and may have had incidences of leaking and water exposure which may have resulted in the introduction of mold, mildew, fungus and other types of bacterial growths. Buyer should be aware that, as with all properties, the buildings may have hidden, enclosed and unreachable areas where growths can occur and cannot be detected 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 Buyer, any member of Buyer's family, or any person who will inhabit the Property 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 purchasing an apartment in the Project. Neither the Developer nor its agents associated with the Project have the requisite knowledge to provide counsel as to the presence, likelihood of conditions conducive to propagation of mold, mildew, fungus and other types of bacterial growth in the Project or as to the effect of the aforementioned conditions can have related to their health, welfare and continued enjoyment of the Property. Individuals who may be capable of providing such advice are professional home inspectors, medical professionals, scientific research professionals, certified industrial hygienist or other environmental specialists and/or others who have requisite knowledge in matters of detection and lab analysis services.

4. General Condition of the Project. Based on letters for the Project obtained from an architect, a structural/civil engineer, a mechanical engineer and an electrical engineer, Developer believes that the buildings are in such condition as is consistent with their age. The letters are included in Exhibit J to this public report; all recommended work described therein will be the responsibility of the owners of the apartments and the Association and not that of Developer or any other party. Notwithstanding anything to the contrary contained herein, the apartments, fixtures, appliances and electrical and plumbing equipment included in the buildings and the apartments and common elements appurtenant thereto will be sold "AS IS" with "ALL FAULTS", and neither Developer nor any of its affiliates or representatives make any warranties, express or implied, as to their working order and condition. Developer makes no warranties or representations regarding the completeness or accuracy of the foregoing reports. The Developer further discloses that the Project may be subject to exterior 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. The Developer shall have no responsibility or liability for or with respect to any such occurrence or condition or any conditions disclosed in any of the reports included in Exhibit J to this public report or otherwise made available to the Buyer.

5. Use. Each dormitory apartment in the Project shall be occupied and used only as private dwellings serving as student housing. "Student housing" is defined as a dwelling for one or more persons who are full or part-time students enrolled in and attending daytime or evening classes, or who have been admitted and shall matriculate within the next four months, at an accredited post-secondary education institution, including technical schools, community colleges, colleges or universities, located on the Island of Oahu, State of Hawaii. A "full or part-time student" is a person enrolled in the minimum number of semester hours required for full or part-time student status, as the case may be, by his or her respective educational institution, for the duration of their apartment lease. The maximum legal capacity for legal occupancy may not be exceeded at any time. The Declaration further provides that the Laundry Apartment, and the limited common elements appurtenant thereto, may be used for any purpose permitted by applicable zoning laws and ordinances, including without limitation a self-serve laundromat and for storage use.

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.

HIDC 1054 DEVELOPMENT, LLC, a Hawaii limited liability company
Printed Name of Developer

By: HAWAIIAN ISLAND DEVELOPMENT CO., INC.,
a Hawaii corporation
Its Member

Duly Authorized Signatory*

August 30, 2004
Date

PETER SAVIO, Its President
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

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

EXHIBIT A

DESCRIPTION OF BUILDING

The Project consists of two (2) existing buildings: (1) an "L"-shaped building constructed primarily of hollow tile blocks and reinforced concrete supported on concrete pile foundations, containing four (4) stories, consisting of the 1st Floor located on even grade with the street, and the 2nd Floor through the 4th Floor located directly above ("the Main Building"); and (2) a one-story building located directly adjacent to the Main Building constructed primarily of hollow tile blocks ("the Laundry Building"), all as more particularly shown on the Condominium Map.

The 1st Floor of the Main Building contains a water pump room, mailboxes, an electrical panel, a concrete walkway, a storage room, one (1) stairway leading to the 2nd Floor at each end of the building, and six (6) dormitory apartment units (all of which are four-bedroom/two-bathroom apartments).

The 2nd Floor through 4th Floor of the Main Building each have an identical floor plan. Each floor has a total of six (6) dormitory apartments (all of which are four-bedroom/two-bathroom apartments), a concrete walkway on the *mauka* side of the building, a storage room, and one (1) stairway leading to the floors immediately above and below at each end of the building. The apartments do not have balconies or lanais.

The Laundry Building contains one (1) free-standing Laundry Apartment which currently serves as a laundry room in support of the student housing apartments, which contains fourteen (14) washers, eleven (11) dryers, two (2) water heaters and a laundry sink.

The area surrounding the Project buildings consists of a paved driveway and concrete ramp leading in from Kalo Place, a ten-foot yard area which surrounds the Project grounds, a swimming pool and deck area surrounded by a fence, a trash dumpster area and a yard recreation area.

The Project has a total of thirty (30) all-weather surface off-street parking stalls and one (1) all-weather surface loading space. All of the parking stalls are located on street level. The parking stalls are numbered 1 through 30 on the Condominium Map. All of the parking stalls are uncovered. None of the stalls are accessible. There are no guest, motorcycle or bicycle stalls.

EXHIBIT B

USE RESTRICTIONS FOR APARTMENTS AND COMMON ELEMENTS

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

I. Declaration

Paragraph 10 of the Declaration provides for the following:

a. **Use**. Each dormitory apartment in the Project shall be occupied and used only for student housing (defined below) by the respective owners thereof and their tenants. Except as otherwise specifically permitted herein, no such apartment shall be used as a tenement or rooming house or for in connection with the carrying on of any business, trade, profession whatsoever unless permitted by law. Said apartments shall not be rented by the apartment owners thereof for transient or hotel purposes, which shall be defined as (i) rental for any period less than thirty (30) days; or (ii) any rental in which the occupants of the apartment are provided customary hotel services, such as room service for food and beverage, daily maid services, daily laundry and linen services, and bellboy service. Neither said apartments nor any interest therein shall be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including without limitation any so-called "vacation license," "travel club membership" or "time-interval ownership" arrangement. The term "time-sharing" as used herein shall be deemed to include, but is not limited to, any plan, program or arrangement under which the right to use, occupy, own or possess an apartment or apartments in the Project rotates among various persons on a periodically recurring basis according to a fixed or floating interval or period of time, whether by way of deed, lease, association or club membership, license, rental or use agreement, co-tenancy agreement, partnership or otherwise. No owner of a dormitory apartment in the Project shall enter into any arrangement with any other apartment owner whereby any rental pool or apartments or other sharing of rental income from apartments is created. Other than the foregoing restrictions, the dormitory apartment owners in the Project shall have the absolute right to lease the same, provided that such lease covers an entire apartment, is in writing and is made subject to the covenants and restrictions contained in this Declaration and in the Bylaws.

"Student housing" is defined as a dwelling for one or more persons who are full or part-time students enrolled in and attending daytime or evening classes, or who have been admitted and shall matriculate within the next four months, at an accredited post-secondary educational institution, including technical schools, community colleges, colleges or universities, located on the Island of Oahu, State of Hawaii. A "full or part-time student" is a person enrolled in the minimum number of semester hours required for full or part-time student status, as the case may be, by his or her respective educational institution, for the duration of their apartment lease. The maximum capacity for legal occupancy of the apartment may not be exceeded at any time.

The Laundry Apartment, and the limited common elements appurtenant

thereto may be used for any purpose permitted by law, including without limitation as a self-serve laundromat and for storage use.

All driveways and common areas shall be kept free of obstruction which interferes with ingress, egress and parking, except as the Association shall decide, but each apartment owner may use all limited common elements appurtenant to such owner's apartment for any use deemed appropriate by such owner, so long as such use is permitted by law and does not interfere with the use by the other owner of the common elements or the limited common elements appurtenant to such other owner's apartment.

II. House Rules

Sections 1 and 6 of the House Rules list restrictions generally affecting occupancy and use of the apartments and the building, including, without limitation, restrictions as to making structural changes within or outside the apartments; the keeping of pets; the display of signs, signals or lettering; and the exterior appearance of the apartments (e.g., prohibitions against projections through any door or window opening, radio or television antenna, waterbeds, and attaching other objects to the exterior of the apartments).

Section 5 of the House Rules lists rules relating to noise and nuisance matters, including, without limitation, restrictions as to creating any improper, offensive or unreasonable nuisances in the Project; creating any excessive noise; slamming doors; the volume of noise devices during late evening and early morning hours; guest conduct; and excessive and late hour noise from entertaining.

EXHIBIT C

DESCRIPTION OF BUILDING INTERIORS AND APARTMENTS

1. **General.** The Project has a total of twenty-five (25) condominium apartments (the "apartments") consisting of twenty-four (24) apartments intended for student housing use ("the dormitory apartments"), and one (1) apartment intended for use which is ancillary to the dormitory apartments ("the Laundry Apartment"), all as shown on the Condominium Map. Each apartment is designated as a separate freehold estate. Each apartment consists of the spaces within the perimeter walls, floors and ceilings of the respective apartments as shown on the Condominium Map. The apartments are more particularly described below and in Exhibit B attached to the Declaration.

2. **Apartment Types.** As shown on the Condominium Map, there are three (3) apartment types in the Project. Each Makai, Corner and Ewa Type apartment, located on the 1st through 4th Floors, shall have four bedrooms, two bathrooms, a kitchen, and a living/dining room. The Laundry Apartment shall be a single room in the Laundry Building.

3. **Apartment Numbers.** Each apartment is identified by a letter and a three-digit number. The apartments are numbered in accordance with the following: the first digit of the three digit-number represents the floor on which the apartment is located; and the last two numbers of the apartment number represent the apartment type. Each dormitory apartment as so designated and identified by an apartment number is located in the Project as shown on the Condominium Map. The location, apartment number and net floor area of each apartment are shown on the Condominium Map and are set forth in Exhibit B to the Declaration.

4. **Apartment Limits.** Notwithstanding the floor areas set forth in Exhibit B attached to the Declaration, and the manner in which such floor areas have been measured, the respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls or partitions, the foundations, columns, girders, beams, floor slabs, supports, roofs, and ceilings located within or at the perimeter of or surrounding such apartment, any pipes, vents, shafts, ducts, conduits or other utility or service lines or enclosed spaces for wiring, pipes, air exhaust or air conditioning running through or otherwise within such apartment which are utilized for or serve more than one apartment, all of which are deemed common elements as hereinafter provided. Each apartment shall be deemed to include all of the walls and partitions which are not load-bearing and which are within its perimeter walls, the inner decorated or finished surfaces of all walls, floors, roofs and ceilings, all glass windows, window frames, louvers (if any), shutters (if any), panels, doors and door frames along its perimeter, and all of the fixtures and appliances (if any) originally installed therein.

Should the descriptions and divisions set forth in the Declaration conflict with the depictions and divisions shown on the Condominium Map, the Condominium Map shall control; provided, however, that the Condominium Map is intended only to show the layout, location, apartment designations and dimensions of the apartments and elevations of the building and is not intended to contain any other representation or warranty.

5. **Access to Apartments**. Each dormitory apartment has immediate access to the Main Building walkways which lead to exterior stairways that lead to the 1st Floor. There is one (1) exterior stairway located on the *makai* end of the building, and one (1) exterior stairway located on the *mauka* end of the building. The Laundry Apartment has immediate access to an exterior walkway and to the parking area. The Project does not have any elevators.

6. **Living Areas**. Each apartment will have the number of rooms and approximate net living floor area in square feet as set forth in Exhibit B to the Declaration. All approximate net floor areas set forth in Exhibit B include all fully enclosed areas of existing improvements within the apartments and are based on measurements taken from the undecorated or unfinished interior surface of all perimeter walls, except that no reduction has been made to account for interior walls, ducts, vents, shafts, columns and the like located within the perimeter walls. All floor areas set forth in Exhibit B are not exact but are approximations based on the floor plans of each type of apartment derived from existing architectural and construction plans for such existing improvements within each apartment. All floor areas set forth in Exhibit B have also been rounded to the lowest full square foot where the approximation of such floor areas exceed a square foot by any fraction of a square foot. For these reasons, the measurements of the floor areas set forth in Exhibit B do not follow the designation of the limits of the apartments (the legally designated areas of the apartments) set forth below, and the floor areas set forth in Exhibit B may be different from the floor areas of the apartments as so designated and described in the Declaration.

EXHIBIT D

PERMITTED ALTERATIONS TO THE APARTMENTS

Paragraph 19 of the Declaration provides as follows:

a. **General**. Except as otherwise provided in this Declaration or the Act or as otherwise required by law, neither the Association nor any apartment owner shall perform any of the following acts except pursuant to plans and specifications therefor approved in writing by the Board: (1) repairing, replacing or rebuilding any apartment or any of the common and limited common elements in a manner different in any material respect from the Condominium Map; (2) engaging in any alterations which will affect the structural integrity of any apartment or the common and limited common elements; (3) constructing on the common and limited common elements any new building or structure; or (4) enclosing any parking stall. Upon the completion of any such work, there shall be filed with the Board a final "as built" set of the plans and specifications for such work, and if any such work should constitute a material alteration to the Project as shown on the Condominium Map (as determined by the Board), the Association or apartment owner, as the case may be, shall file an amendment to this Declaration describing such alteration and amending the Condominium Map to show such alteration, together with a certificate signed by a registered architect or professional engineer, certifying that the plans showing such alterations accurately reflect such alterations, as built. Such amendment shall be signed by the Association or the apartment owner, as the case may be, and approved by the Board, and no consent or joinder of any other apartment owner or person shall be required. Except as otherwise provided in this Declaration, the Bylaws and the House Rules, each apartment owner shall be free, with the consent of all mortgagees of record of any interest in such apartment owner's apartment, to make such alterations and improvements within such apartment owner's apartment or within or on the limited common elements appurtenant thereto, without the consent or joinder of the Board, the Association, any apartment owner, Developer or any other person.

b. **Certain Work Prohibited**. Notwithstanding anything to the contrary in this Declaration, no apartment owner (1) shall do any work which could jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement or hereditament; (2) shall add any material structure or excavate any basement or cellar, or (3) shall rebuild, repair or restore the Project in the event of substantial or total destruction of the Project, without in every such case obtaining the prior consent of seventy-five percent (75%) of the apartment owners, together with the prior written consent of all mortgagees of record and apartment owners whose apartments or limited common elements appurtenant thereto are directly affected.

c. **Structural Alterations**. No alterations or changes of any nature under any circumstances shall be made to the structural elements of the building, including, without limitation, roofs, floors, supporting walls, foundations, columns, girders, floor slabs, supports, perimeter, party or load bearing walls and partitions without first obtaining the consents required in Section 19.b. above and certification from a licensed structural engineer reasonably acceptable to the Association

that the plans for such alterations or changes will not in any way diminish the present structural integrity of the building and the elements therein.

d. **Nonmaterial Structural Additions to the Common Elements**. Nonmaterial structural additions to the common elements, including "solar energy devices" as defined in Section 514A-89 of the Act, or additions to or alterations of an apartment made within such apartment or within a limited common element appurtenant to and for the exclusive use of the apartment, shall require approval only by the Board and such percentage, number, or group of apartment owners or other parties as may be required by this Declaration or the Bylaws. As used in this subparagraph, "nonmaterial structural additions to the common elements" means a structural addition to the common elements which does not jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement or hereditament, detract from the appearance of the Project, interfere with or deprive any nonconsenting apartment owner of the use or enjoyment of any part of the Project or directly affect any nonconsenting apartment owner.

e. **Connection between Apartments**.

(1) The owner of any two or more adjacent apartments separated by a common element which is a wall may, with the consent of all mortgagees of record of any interest in such owner's apartments, alter or remove all or any portion of the intervening wall (and, if the owner so desires, install a door within the opening created by such removal), if the structural integrity of the common elements or any other apartment in the Project will not thereby be adversely affected and if the finish of the common element then remaining is placed in a condition substantially comparable to that of the common element prior to such alterations. As used above, "adjacent apartments" also includes apartments which are located above and beneath one another on different floors, and in such event all references to "intervening wall" shall mean the intervening floor, ceiling or slab separating such floors.

(2) Prior to commencing any such alteration or removal, and as a condition to the apartment owner's right to undertake such alteration or removal, the apartment owner shall comply with the provisions of Section 19.f. below.

(3) If any intervening wall between adjacent apartments shall have been altered or removed pursuant to the foregoing provisions, then prior to the termination of the common ownership of such adjacent apartments, the owner of such apartments shall restore such intervening wall to substantially the same condition in which the same existed prior to such alteration or removal unless the purchaser of such apartments shall agree in writing to forego such restoration.

(4) Notwithstanding any alteration or additions permitted under this Section 19.e., such shall not affect the common interest or limited common interest allocable to any apartment.

f. **Procedure for Commencing Permitted Improvements**. Prior to commencing any improvements or alterations permitted to be made pursuant to this Section 19, and as a condition to the apartment owner's right to undertake such improvements and alterations, the

apartment owner shall provide to the Board: (a) a certification in form and content reasonably satisfactory to the Board signed by an architect or engineer duly registered in the State of Hawaii, that such improvement or alteration will not adversely affect the structural integrity of the common elements or any other apartment in the Project, (b) satisfactory evidence that all governmental approvals required for such alteration or removal have been duly obtained, and (c) if the cost of such improvement or alteration, as reasonably determined by the Board, shall exceed the sum of $25,000.00, the Board may require that the owner provide evidence satisfactory to the Board of sufficient financing to complete such alteration or removal or, in lieu thereof, require that the owner obtain a performance and lien payment bond, naming as obligees Developer and the Board and the Association and collectively all apartment owners and their respective mortgagees of record, as their interests may appear, for a penal sum of not less than one hundred percent (100%) of the estimated cost of such alteration or removal.

EXHIBIT E

DESCRIPTION OF PARKING STALLS

The Project has a total of thirty (30) all-weather surface off-street parking stalls and one (1) all-weather surface loading space. All of the parking stalls are located on street level. The parking stalls are numbered 1 through 30 on the Condominium Map. All of the parking stalls are uncovered. None of the stalls are accessible. There are no guest, motorcycle or bicycle stalls.

The current assignment of parking stalls is as shown on Exhibit B attached to the Declaration.

NOTE CONCERNING ASSIGNMENT OF STALLS: Hawaii Revised Statutes provides owners of apartments with the right to change the designation of parking stalls as follows:

> **§514A-14 Parking Stalls.** Notwithstanding any provision of the declaration, apartment owners shall have the right to change the designation of parking stalls which are appurtenant to their respective apartments by amendment of the declaration and respective apartment leases or deeds involved. The amendment need only be signed and approved by the lessor (in the case of a leasehold project) and the owners (and their respective mortgagees if any) of the apartments whose parking stalls are being changed. The amendment shall be effective only upon recording or filing of the same of record with the bureau of conveyances.

Accordingly, the Declaration may be subsequently amended by the Developer or individual apartment owners in order to reallocate parking stalls. The Developer reserves the right to reallocate parking stalls among units solely owned and controlled by it in order to promote a more orderly sales process or to accommodate the needs of purchasers of its apartments.

EXHIBIT F

DESCRIPTION OF COMMON ELEMENTS, LIMITED COMMON ELEMENTS AND COMMON INTERESTS

1. **Common Elements**. Paragraph 5 of the Declaration describes the common elements as all portions of the Project other than the apartments (except as specifically included) and all other common elements mentioned in the Act which are actually included in the Project, including specifically but without limitation:

a. The Land described in Exhibit A attached to the Declaration.

b. All structural components such as foundations, columns, girders, beams, floor slabs, supports, perimeter, party and load-bearing walls and partitions (excluding the finishes thereon within an apartment), and roofs of the Project.

c. Stairways, walkways, fences, entrances, entryways and exits of the Project, the swimming pool and its surrounding deck area, trash areas and other common rooms and facilities in the Project not within an apartment.

d. All yards, recreation areas, grounds, paths, walkways, planting areas, landscaping, refuse and like facilities.

e. All sewer lines, electrical equipment, pipes, conduits, cables, wiring, utility yards and equipment, and other central and appurtenant transmission facilities and installations on, over, under and across the Project which serve more than one apartment for services such as electricity, water, gas (if any), cable television (if any), air conditioning, sewer, refuse, telephone, radio and television signal distribution.

f. Any and all other apparatus and installations existing for common use, such as tanks, pumps, motors, fans, compressors, water heaters and, in general, all other parts of the Project necessary or convenient to its existence, maintenance and safety, and normally in common use and which are not part of any apartment.

g. All mechanical and electrical equipment originally installed and located within any mechanical room, telephone closet or electrical room or located elsewhere in the Project (whether or not utilized for or serving only one apartment).

h. All storage areas not within an apartment, subject, however, to the right of the Association, to be exercised by its Board of Directors or managing agent, to use for the benefit of the Association such storage areas for the storage of cleaning and maintenance items and equipment.

i. The limited common elements described below.

2. **Limited Common Elements**. Paragraph 6 of the Declaration describes the limited common elements as certain parts of the common elements which are set aside and reserved for the exclusive use of certain apartments, which apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside for each apartment are as follows:

a. The parking stall(s) designated for those apartments in the building as set forth in **Exhibit B**; subject, however, to the rights of apartment owners to (i) redesignate such stalls pursuant to Section 514A-14 of the Act, and (ii) change the use of such stalls in accordance with applicable zoning laws and ordinances.

b. One (1) mailbox located on the 1st Floor of the Project for each dormitory apartment, which mailbox shall have a box number as may be designated from time to time by the Board.

c. The Laundry Apartment shall have appurtenant thereto and reserved for its exclusive use all washing and drying machines, fixtures, electrical and mechanical equipment, ducts, vents, shafts, drainage lines, water lines, pipes, conduits, cables and wiring exclusively serving the Laundry Apartment.

d. The common elements of the Project which are rationally related to less than all of said apartments shall be limited to the use of such apartments.

3. **Common Interests**. Each apartment shall have appurtenant thereto the undivided percentage interest (the "common interest") in all common elements of the Project and in all common profits and expenses of the Project and for all other purposes including voting as is set forth in Exhibit B attached to the Declaration.

EXHIBIT G

ENCUMBRANCES AGAINST TITLE

The encumbrances against title appearing in the preliminary report dated August 11, 2004 (the "Title Report"), prepared by Title Guaranty of Hawaii, Incorporated are as follows:

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

2. Real property taxes as may be due and owing. Check with the Office of the Tax Assessor, City and County of Honolulu.

3. First Mortgage, Security Agreement and Financing Statement

Mortgagor	:	HIDC 1054 Development, LLC, a Hawaii limited liability company
Mortgagee	:	First Hawaiian Bank, a Hawaii corporation
Dated	:	August 6, 2004
Recorded	:	Document No. 2004-164765
Amount	:	$1,300,000.00

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

Instrument	:	Absolute Assignment of Rentals and Lessor's Interest in Leases
Dated	:	August 6, 2004
Recorded	:	Document No. 204-164766
Parties	:	HIDC 1054 Development, LLC, a Hawaii limited liability company ("Assignor"), and First Hawaiian Bank, a Hawaii corporation ("Assignee")
Re	:	loan in the principal amount of $1,300,000.00

5. Financing Statement

Debtor	:	HIDC 1054 Development, LLC, a Hawaii limited liability company
Secured Party	:	First Hawaiian Bank, a Hawaii corporation
Recorded	:	Document No. 2004-164767
Recorded on	:	August 11, 2004

6. Any unrecorded leases and matters arising from or affecting the same.

7. Encroachments or any other matters as shown on survey map prepared by Gary S. Takamoto, Land Surveyor, with ControlPoint Surveying, Inc., dated June 23, 2004.

It is anticipated that the following additional Project documents shall also be encumbrances against title at the time of conveyance to apartment owners:

A. Declaration of Condominium Property Regime of 1054 Kalo Place dated August 12, 2004, filed in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-167329.

B. Bylaws of the Association of Apartment Owners of 1054 Kalo Place dated August 12, 2004, filed in said Bureau as Document No. 2004-167330.

C. Condominium Map No. 3822.

EXHIBIT H

SUMMARY OF THE SALES CONTRACT

A specimen Deposit Receipt and Sales Contract, Addendum "A" and Addendum "B" (the "Contract") has been submitted to the Real Estate Commission. ALL BUYERS AND PROSPECTIVE BUYERS SHOULD CAREFULLY READ THE CONTRACT IN FULL, because this summary is NOT A COMPLETE DESCRIPTION of its provisions. The Contract, among other things, covers in more detail the following items:

1. Buyer agrees to deliver to Seller, no later than six (6) business days afer the date of Seller signs the Contract, written proof of Buyer's ability to pay the Total Purchase Price under the Contract. Written proof shall include a pre-qualification letter based upon a full credit report. Seller will also have the right to require Buyer to give to Seller a letter of credit from a bank or other financial institution acceptable to Seller securing Buyer's promises and agreements under the Contract and any other information required by Seller.

2. Seller, in its sole discretion, and in addition to any other rights of cancellation or termination reserved to Seller, may elect to cancel the Contract if Buyer defaults under the Contract. Buyer may lose all of its deposits with Escrow and Seller. Seller may, at its option, pursue other legal remedies. If Seller defaults under the Contract, Buyer shall be entitled to specific performance of the Contract, or shall have the right to cancel and terminate the Contract.

3. Buyer is required to prepay maintenance fees, Additional Sums, Closing Costs and Prorations as more particularly described in the Contract.

4. The Contract confirms that Buyer has had the opportunity to read and approve the project documents, including the Declaration, the Bylaws, the Condominium Map, the House Rules, the form of Apartment Deed, the Escrow Agreement, this Public Report, and the Declaration of Covenants, and all amendments and supplements to all such documents. Buyer (or Buyer's lender, if any) may inspect copies of each of these documents at Seller's sales office. The Contract also provides that the rights of any construction lender with a mortgage against the Project will be superior to the rights of Buyer under the Contract.

5. Buyer specifically acknowledges and accepts certain enumerated conditions regarding on-going development and marketing of the Project stated in the Contract as well as any inconvenience or annoyance which Buyer may experience as a result of such conditions, and expressly waives any rights, claims or action which Buyer might otherwise have against Seller or third parties as a result of such circumstances.

6. After the Effective Date of the Final Public Report, Buyer shall have the right to rescind the Contract only if there is a material change in the Project which directly, substantially and adversely affects the use or value of (a) Buyer's apartment or appurtenant limited common element,

or (b) amenities of the Project available for Buyer's use. Waiver of such right is governed more specifically by the terms of the Contract.

7. If Buyer cancels the Contract because of Seller's default, Seller will repay to Buyer all sums paid by Buyer to the Seller or to Escrow under the Contract, without interest (except that Buyer will get interest on sums held by Escrow in an interest-bearing account in favor of Buyer, if Buyer checked the appropriate box on the first page of the Contract). Buyer agrees that if Seller defaults at any time, Buyer will only have the rights mentioned in the Contract and that Buyer waives any other rights Buyer might otherwise have.

8. Seller shall have certain rights and remedies against Buyer in the event Buyer fails to perform any of the terms and conditions of the Contract, including failure to comply with the pre-closing and closing requirements, as more particularly described in the Contract, including the right to retain Buyer's deposit and the right to other actual and liquidated damages, the right to specifically enforce the Contract, and the right to charge late fees on amounts past due.

9. The Contract prohibits Buyer from assigning the Contract.

10. The execution, delivery and recordation of Buyer's Apartment Deed shall constitute the assignment by Seller to Buyer of any and all warranties given to Seller by the contractors for the Project, if any, including, without limitation, any warranty of materials and workmanship against faulty or deficient materials and installation. The benefit of such warranties, if any, shall accrue to Buyer on closing without further instruments or documents. BUYER ACKNOWLEDGES THAT SELLER HAS MADE NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, HABITABILITY OR WORKMANLIKE CONSTRUCTION WITH RESPECT TO THE APARTMENT, THE PROPERTY, ANY COMMON ELEMENT, LIMITED COMMON ELEMENT, OR ANYTHING INSTALLED THEREIN.

11. Buyer agrees to intentionally waive, relinquish and subordinate the priority or superpriority of any interest under the Contract in favor of the liens or charges upon the Project of the lender's mortgage loan.

ALL BUYERS SHOULD READ THE SALES CONTRACT IN FULL AS THIS SUMMARY IS NOT ALL-INCLUSIVE AND DOES NOT CONTAIN A COMPLETE DESCRIPTION OF ALL PROVISIONS OF THE SALES CONTRACT. THIS SUMMARY IS INTENDED ONLY TO GIVE A BRIEF DESCRIPTION OF SOME OF THE ITEMS CONTAINED IN THE SALES CONTRACT, AND DOES NOT ALTER OR AMEND THE SALES CONTRACT IN ANY MANNER. IF ANY PROVISIONS OF THIS SUMMARY CONTRADICT THE PROVISIONS CONTAINED IN THE SALES CONTRACT IN ANY WAY, THE PROVISION OF THE SALES CONTRACT SHALL OVERRIDE THE PROVISIONS OF THIS SUMMARY.

EXHIBIT I

SUMMARY OF THE ESCROW AGREEMENT

A copy of the Escrow Agreement between the Seller and Title Guaranty Escrow Services, Inc. ("Escrow") has been submitted to the Real Estate Commission. The Escrow Agreement, among other things, covers in more detail the following items:

1. Seller shall deliver an executed copy of each sales contract for the sale of a dormitory apartment to Escrow. Each sales contract shall be accompanied by the initial deposit required thereunder.

2. Seller shall pay Escrow monies received from Purchasers under sales contracts covering apartments in the Project. Escrow shall receive and hold in escrow and disburse funds as set forth in detail in the Escrow Agreement. Escrow shall deposit all funds so received in an account at a federally-insured interest-bearing account at a bank, savings and loan association, or trust company authorized to do business in the State. Except for specific circumstances stated in the Escrow Agreement, any interest earned on funds deposited in escrow under the Escrow Agreement shall accrue to the credit of Seller.

3. No disbursements of funds held in escrow shall be made unless and until, among other conditions, (a) an effective date for a Final Public Report has been issued; (b) the Purchaser has been given a copy of said Final Public Report and shall have acknowledged receipt of the same or shall have been deemed to have acknowledged receipt of the same; (c) Seller or Seller's attorney shall have delivered a written opinion to Escrow that the Purchaser's sales contract has become effective; and (d) if applicable, the affidavit described in paragraph 1 above shall have been personally reaffirmed by all the prospective owner-occupants of the dormitory apartments no earlier than their receipt of a Final Public Report but not later than closing of escrow for the apartment, and the prospective owner-occupants shall have delivered to Escrow the reaffirmed affidavit.

4. Subject to certain provisions of the Escrow Agreement, upon the written request of Seller, Escrow shall make disbursements from the escrow fund to pay for construction costs and to pay for architectural, engineering, finance, and legal fees and other incidental expenses of the Project. The balance of all escrow funds shall be paid to Seller, on order, after the lapse of forty-five (45) days from the filing of the Affidavit of Publication of Notice of Completion as provided for under Section 507-43, Hawaii Revised Statutes, as amended; provided, however, that if any notice of a mechanic's or materialmen's lien has been filed against any of the property included within the Project, or suit thereon is filed, Escrow shall retain a sum equivalent to one and one-half (1-1/2) times the amount of every such claim for disposition thereof to satisfy and release every such claim, and upon every such release the balance shall be disposed of in accordance with Seller's instructions.

5. A Purchaser shall be entitled to a return of funds and Escrow shall pay such funds to such Purchaser, together with any interest that may have accrued to the credit of Purchaser, if any one of the following has occurred: (a) Seller and the Purchaser shall have together requested Escrow in writing to return to the Purchaser the funds of the Purchaser held hereunder by Escrow; or (b) Seller shall have notified Escrow of Seller's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Seller; or (c) the Purchaser has exercised such Purchaser's right to cancel or rescind the contract pursuant to the Condominium Property Act.

In the event of a default by the Purchaser in any matter being handled by Escrow, upon certification by the Seller of Seller's termination of the sales contract, Escrow will thereafter treat all funds of the Purchaser paid on account of such Purchaser's sales contract as funds of Seller and not as funds of the Purchaser.

6. Except for the sales contract and any note and mortgage that is to be closed by the mortgagee thereof, Escrow shall promptly and diligently arrange for and supervise the execution of all documents related to the Project and shall promptly, and diligently close the transactions and perform such services as are necessary or proper therefor, in the manner established in the Escrow Agreement.

NOTE: ALL BUYERS AND PROSPECTIVE BUYERS SHOULD READ THE ESCROW AGREEMENT AND ALL AMENDMENTS, IF ANY, IN FULL AS THIS SUMMARY IS NOT ALL-INCLUSIVE AND DOES NOT CONTAIN A COMPLETE DESCRIPTION OF ALL PROVISIONS OF THE ESCROW AGREEMENT. THIS SUMMARY IS INTENDED ONLY TO GIVE A BRIEF DESCRIPTION OF SOME OF THE ITEMS CONTAINED IN THE ESCROW AGREEMENT, AND DOES NOT ALTER OR AMEND THE ESCROW AGREEMENT IN ANY MANNER.

1054 KALO PLACE CONDOMINIUM PROJECT
REGISTRATION NO. 5450
DISCLOSURE ABSTRACT

as of August 13, 2004

This disclosure abstract is made by HIDC 1054 Development, LLC, a Hawaii limited liability company ("the Developer"), as the owner of the 1054 Kalo Place condominium project ("the Project"), which Project consists of the existing buildings and the underlying land situate on that certain parcel of land containing an area of 28,972 square feet at Honolulu, City and County of Honolulu, State of Hawaii, and identified as Tax Map Key No. (1) 2-8-24-24. The Developer has acquired the existing buildings and has subdivided said buildings into twenty-five (25) individual condominium apartments and has designated appurtenant common elements and limited common elements pursuant to the Declaration of Condominium Property Regime of 1054 Kalo Place dated August 12, 2004, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-167329 ("the Declaration"). This disclosure describes the legal status of the Project, including the common elements and all apartments therein, as of the date of recordation of the Declaration and the physical condition of the Project as of the date hereof.

1.	**Project**:	1054 KALO PLACE
2.	**Address**:	1054 Kalo Place Honolulu, Hawaii 96826
3.	**Developer**:	HIDC 1054 Development, LLC 931 University Avenue, Suite 105 Honolulu, Hawaii 96826 (808) 951-8976
4.	**Managing Agent**:	Hawaiian Island Homes, Ltd. 931 University Avenue, Suite 105 Honolulu, Hawaii 96826 (808) 951-8989

5. **Maintenance Fees**: The breakdown of the estimated annual maintenance fees and the estimated monthly fees for each apartment, representing the common expenses of the Project allocated to each apartment, which are hereby certified to be based on generally accepted accounting principles, are set forth in **Exhibit 1** attached hereto and made a part hereof by reference. The maintenance fee estimate is a projection of what individual apartment owners will be required to contribute toward the maintenance and upkeep of the Project on a monthly basis and is based upon

an analysis of the physical and financial status of the Project as described in that certain 2005 Reserve Study for 1054 Kalo Place, prepared by Armstrong Consulting, Inc. dated August 12, 2004. A copy of the Reserve Study is attached hereto as **Exhibit 2**. The Developer advises that the maintenance fees of a condominium project are difficult to estimate prior to actual operation of the Project and even if maintenance fees have been accurately estimated, such fees will tend to increase in an inflationary economy and as the improvements age. The estimated maintenance fees and monthly fees for each apartment are based on the latest information available to the Developer and the Managing Agent and are subject to revision based on actual costs for items enumerated. Maintenance fees can vary depending on services desired by apartment owners. Each buyer should check the attached maintenance fee schedule to see what services are included therein.

6. **Project Description**: The Project consists of two (2) existing buildings: (1) an "L"-shaped building constructed primarily of hollow tile blocks and reinforced concrete supported on concrete pile foundations, containing four (4) stories, consisting of the 1st Floor located on even grade with the street, and the 2nd Floor through the 4th Floor located directly above ("the Main Building"); and (2) a one-story building located directly adjacent to the Main Building constructed primarily of hollow tile blocks ("the Laundry Building"), all as more particularly shown on the Condominium Map.

The 1st Floor of the Main Building contains a water pump room, mailboxes, an electrical panel, a concrete walkway, a storage room, one (1) stairway leading to the 2nd Floor at each end of the building, and six (6) dormitory apartment units (all of which are four-bedroom/two-bathroom apartments).

The 2nd Floor through 4th Floor of the Main Building each have an identical floor plan. Each floor has a total of six (6) dormitory apartments (all of which are four-bedroom/two-bathroom apartments), a concrete walkway on the *mauka* side of the building, a storage room, and one (1) stairway leading to the floors immediately above and below at each end of the building. The apartments do not have balconies or lanais.

The Laundry Building contains one (1) free-standing Laundry Apartment which currently serves as a laundry room in support of the student housing apartments, which contains fourteen (14) washers, eleven (11) dryers, two (2) water heaters and a laundry sink.

The area surrounding the Project buildings consists of a paved driveway and concrete ramp leading in from Kalo Place, a ten-foot yard area which surrounds the Project grounds, a swimming pool and deck area surrounded by a fence, a trash dumpster area and a yard recreation area.

The Project has a total of thirty (30) all-weather surface off-street parking stalls and

one (1) all-weather surface loading space. All of the parking stalls are located on street level. The parking stalls are numbered 1 through 30 on the Condominium Map. All of the parking stalls are uncovered. None of the stalls are accessible. There are no guest, motorcycle or bicycle stalls.

Each dormitory apartment has immediate access to the Main Building walkways which lead to exterior stairways that lead to the First Floor. There is one (1) exterior stairway located on the *makai* end of the building, and one (1) exterior stairway located on the *mauka* end of the building. The Laundry Apartment has immediate access to a walkway on the Kokohead end of the Main Building and to the parking area. The Project does not have any elevators.

6. **The Apartments**. The Project contains a total of twenty-five (25) condominium apartments (the "apartments") consisting of twenty-four (24) apartments intended for student housing use ("the dormitory apartments"), and one (1) apartment intended for use which is ancillary to the dormitory apartments ("the Laundry Apartment"), all as shown on the Condominium Map. Each apartment is designated as a separate freehold estate. Each apartment consists of the spaces within the perimeter walls, floors and ceilings of the respective apartments as shown on the Condominium Map. There are three (3) apartment types in the Project as follows:

Each Makai, Corner and Ewa Type apartment shall be located on the 1st through 4th Floors and shall have four bedrooms, two bathrooms, a kitchen, and a living/dining room.

The Laundry Apartment shall be a single room in the Laundry Building.

7. **Construction Detail**. According to the structural report described in Section 11.a below, based on drawings provided to the structural engineer, the Main Building is a four-storied walk up structure with 8" CMU bearing walls and 6-½ " thick cast in place reinforced concrete floor slabs. The ground floor consists of a 4" thick concrete slab on grade. The bearing walls are supported by continuous wall foundations and equally spaced piles. The open walkway has 4" thick CMU railings. The drawings indicate that the railings are partially grouted.

8. **Compliance with Building Code**: The Project, to the best of Developer's knowledge, complied with all zoning and building ordinances and codes when built in 1970 and no variances have been granted to achieve such compliance. The Project presently contains, as a result of adoption or amendments to ordinances and codes, legal non-conforming structures and conditions. The existence of non-conforming improvements in the Project means that in the event the non-conforming improvements are removed or destroyed and require replacement, the improvement must be reconstructed or installed in conformity with the then-current and applicable code requirements. Furthermore, certain conditions which were legal when built or installed and which do not comply

with current code requirements may need to be updated and replaced at such time as new construction is undertaken within the Project or in any apartment. According to a letter from the Department of Planning and Permitting of the City and County of Honolulu ("DPP") dated August 9, 2004 ("the DPP Letter"), the four-story, twenty four-unit with thirty (30) all-weather surface off-street parking spaces and one (1) all-weather surface loading space met all applicable code requirements when it was constructed in 1970 on the 28,972 square foot A-2 Medium Density Apartment zoned lot.

Each apartment owner, by the acceptance of such owner's apartment deed, shall be deemed to have accepted the buildings' conditions described above and agreed that, except as otherwise set forth herein, neither Developer nor any of its affiliates or representatives, shall be responsible for any nonconforming conditions. A copy of the DPP Letter is attached hereto as **Exhibit 3**.

9. **No Warranties**: Except as set forth in Section 8 above, the Developer cannot determine whether the Project contains any other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes. The Developer does not give any warranties or assurances that the apartments can be expanded or that variances are obtainable from the City and County of Honolulu for any proposed improvements. The Project, the apartments and anything installed or contained therein are being sold as "AS IS" condition "WITH ALL FAULTS" by the Developer, without any warranties whatsoever, express or implied. Article IV, Section D.1 of Addendum "B" to the Deposit, Receipt and Sales Contract used in connection with the Project provides, in part, as follows:

> 1. **Seller Makes No Warranties or Promises**. Buyer acknowledges that Seller is not the original developer of the project and was not involved in (and is not responsible for) the planning or construction of the project. Buyer further acknowledges that the project was substantially completed in 1970 and has been used over the years primarily for dormitory apartment purposes. Buyer understands and agrees that the apartment is being sold "as is, where is" with all faults and that Seller makes no warranties or promises of any kind, express or implied, about the apartment, the property or the project (including the common elements of the project), or about any furnishings, fixtures, appliances or other consumer products or anything else installed, attached, affixed or otherwise contained in the apartment, the property or the project (including the common elements of the project), including any warranties or promises of "merchantability", "workmanlike construction" or "fitness for a particular use or purpose".
>
> Without limiting the generality of any of the foregoing, Seller makes no warranties or promises: (a) that the project or any improvements in the apartment,

the property 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 of the project or the personal property; (c) regarding the physical or environmental 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.

Buyer for itself and its successors, heirs and assigns, releases Seller and its directors, officers, shareholders, employees and agents from and waives any claim, action or liability which arises from or relates to any latent or patent defect in 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 Buyer 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 in, on, under, about or migrating from or onto or into the property or 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 property or the project. Seller and Buyer agree that this release from liability has been specifically negotiated between Seller and Buyer.

Buyer acknowledges and agrees that Seller's disclaimer of warranties contained in this Section D.1 is an essential element in the determination of the low purchase price for the Apartment being sold to Buyer. This means that the Apartment would not have been sold to Buyer for the amount of the purchase price stated in this Agreement without Seller's disclaimer of warranties.

10. **Permitted Use**. Each dormitory apartment in the Project shall be occupied and used only for student housing (defined below) by the respective owners thereof and their tenants. Except as otherwise specifically permitted herein, no such apartment shall be used as a tenement or rooming house or for in connection with the carrying on of any business, trade, profession whatsoever unless

permitted by law. Said apartments shall not be rented by the apartment owners thereof for transient or hotel purposes, which shall be defined as (i) rental for any period less than thirty (30) days; or (ii) any rental in which the occupants of the apartment are provided customary hotel services, such as room service for food and beverage, daily maid services, daily laundry and linen services, and bellboy service. Neither said apartments nor any interest therein shall be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including without limitation any so-called "vacation license," "travel club membership" or "time-interval ownership" arrangement. The term "time-sharing" as used herein shall be deemed to include, but is not limited to, any plan, program or arrangement under which the right to use, occupy, own or possess an apartment or apartments in the Project rotates among various persons on a periodically recurring basis according to a fixed or floating interval or period of time, whether by way of deed, lease, association or club membership, license, rental or use agreement, co-tenancy agreement, partnership or otherwise. No owner of a dormitory apartment in the Project shall enter into any arrangement with any other apartment owner whereby any rental pool or apartments or other sharing of rental income from apartments is created. Other than the foregoing restrictions, the dormitory apartment owners in the Project shall have the absolute right to lease the same, provided that such lease covers an entire apartment, is in writing and is made subject to the covenants and restrictions contained in this Declaration and in the Bylaws.

"Student housing" is defined as a dwelling for one or more persons who are full or part-time students enrolled in and attending daytime or evening classes, or who have been admitted and shall matriculate within the next four months, at an accredited post-secondary educational institution, including technical schools, community colleges, colleges or universities, located on the Island of Oahu, State of Hawaii. A "full or part-time student" is a person enrolled in the minimum number of semester hours required for full or part-time student status, as the case may be, by his or her respective educational institution, for the duration of their apartment lease. The maximum capacity for legal occupancy of the apartment may not be exceeded at any time.

The Laundry Apartment, and the limited common elements appurtenant thereto may be used for any purpose permitted by law, including without limitation as a self-serve laundromat and for storage use.

All driveways and common areas shall be kept free of obstruction which interferes with ingress, egress and parking, except as the Association shall decide, but each apartment owner may use all limited common elements appurtenant to such owner's apartment for any use deemed appropriate by such owner, so long as such use is permitted by law and does not interfere with the use by the other owner of the common elements or the limited common elements appurtenant to such other owner's apartment.

The Developer makes no representations or warranties, express or implied, with respect to any of the foregoing uses.

11. **Condition of Existing Structure**. The present condition of the site on which the Project is located and the structural components and the mechanical and electrical installations material to the use and enjoyment of the Project are described in reports from a structural engineer, electrical engineer, mechanical engineer and architect, all of which are attached hereto as **Exhibits 4, 5, 6 and 7**.

Although not required by law, the engineers and architect have given opinions about the condition of the Project to provide buyers with additional information. However, the Developer does not represent or warrant that the reports attached hereto are correct or complete. The reports should not be relied upon as the opinion of the Developer. No representations are made by the Developer with respect to the expected useful life of the structural components or the mechanical and electrical installations in the Project. Except as described herein, the Developer has not ascertained if any of the conditions disclosed in the attached reports have been addressed. Certain conditions identified as non-compliant with current code requirements were in compliance when installed and are therefore a legal non-conforming condition which may need to be addressed at such time as additional improvements are made to the Project.

a. **Civil/Structural Engineer's Report**. Excerpts from the civil/structural engineer's report attached hereto as **Exhibit 4** indicate that the building structure is in good condition. The report covers the laundry room, building exterior, building walkways and swimming pool deck. The engineer's observations include the following: There are signs of drainage problems and water ponding behind the building around roof drain outlets; the boundary wall at the back of the building has vertical cracks which indicate soil movement and lack of reinforcement; there are signs of water ponding on the laundry room roof; the laundry room roof is cracked at the overhangs; the laundry room ceiling concrete is spalling and paint is peeling off; exposed rebars at spall locations in the laundry room ceiling show signs of corrosion; walkways throughout the building have cracks in their concrete slab, reflecting locations of rebar within the concrete; concrete slabs at stair landings show signs of deterioration; drainage holes in the concrete slab on the Second Floor are plugged, which has caused moisture to seep through the slab and has, in turn, caused paint to peel from the ceiling below; stair railings are corroded at connections to the concrete slab; walkway railings show corroded rebar damage at all floor levels; and there are on-grade cracks in the pool deck slab. No signs of ground settlement were observed in the building structure.

Several parts of the building need immediate attention. It is recommended that: spalls in the laundry room be repaired to prevent further corrosion of rebars and that the laundry room be re-roofed to avoid ponding; concrete walkways and landing slabs be repaired with

epoxy injection of cracks and sealed to prevent moisture penetration; concrete walkway drains be cleared and additional drains be installed to allow rain water to drain without ponding; all walkway railings be repaired and restored to their original condition; and drainage at the back of the building be addressed to keep water from ponding against the building.

It is the opinion of the civil/structural engineer that the damage observed in various areas does not impair the integrity of the building structure. The building structure is in good condition and can be expected to continue to perform well with regular maintenance and upkeep; however, it is recommended that all repairs should be done by a licensed contractor under the guidance of a licensed structural engineer. The report specifies that its findings are limited to the portions and areas of the building addressed in the report, and does not provide any express or implied warranty for any portion of the existing building.

b. **Electrical Engineer's Report.** The electrical engineer's report is attached hereto as **Exhibit 5**. The investigation was general in nature and was intended to check the basic electrical condition of the building. Field observations cover the main utility services and distribution system, apartment units 103 and 104 and the building common area.

Field observations include the following: The building power service consists of a 3" underground secondary conduit originating from a utility pole on Varsity Place. The service equipment is located on the Ewa-*makai* corner of the building and consists of 24 apartment unit meters with 50A-2P main breakers and one house meter with a 100A-2P main breaker. The main disconnect/protective device consists of a 400A-rated fused switch. Service voltage is 120/240 volt, single-phase, three-wire. Most of the service equipment is severely rusted. The building telephone service drop is overhead from a pole on Varsity Place to a telephone cabinet on the ground floor near the middle of the building. The overhead cable drops very low (less than 7' ground clearance) across a walkway near the building, which violates the Code's minimum clearance for overhead lines. The building cable television service drop is also overhead from a pole on Varsity Place to a cabinet near the electric service equipment. Cable distribution to the apartment units is via surface wiremold-type raceways along the outside of the building.

Observations of apartment units 103 and 104 include the following: Circuit breakers feeding the bedroom circuits are not the arc-fault interrupter type, which current Code requires for dwelling unit bedroom branch circuits. Receptacles at the bathroom sinks and the kitchen counters are not the GFCI-protected type, which is also required by current Code. The loadcenter in the pantry does not comply with the minimum required working space clearance, which should be at least 30" wide, 36" deep and 80" high. The hallway has one battery-powered smoke detector, which should be increased to one detector per sleeping room in addition to the hallway, and all detectors should be interconnected as a common alarm within the unit. Outlets in some locations

such as the hallway and dining area may not presently comply with the NEC-required minimum spacing for dwelling units. Several light fixture diffusers were observed to be broken or missing.

Observations regarding the building common area include the following: Light fixtures in certain areas such as the laundry room and walkways were observed to be broken or missing. Several ground-mounted lights in the landscaped areas have been knocked over or are otherwise damaged. Exposed wiring was observed in several places within the landscaped areas, which may be in violation of the Code, if such wiring is the Class 1 circuit type. The parking lot area does not have any lights installed. The building fire alarm system consists of a pull station at each stair entry area and a bell on each side of the building at alternating floors.

Overall, the power service equipment is in an advanced state of physical deterioration and will need replacement soon. Exposure to the elements has apparently caused rather severe rusting of the enclosures. More detailed observations and recommendations are contained in the report.

c. **Mechanical Engineer's Report**. The mechanical engineer's report is attached hereto as **Exhibit 6**. The mechanical engineer visually inspected the building's existing ventilation, plumbing, gas piping and fire protection systems as well as apartment units 103 and 104.

With respect to the ventilation system, the mechanical engineer made the following observations: The apartment bathrooms and kitchens are naturally ventilated by operable jalousie type windows, with the exception of apartment units 104, 204, 304 and 404. These units do not have windows open to the exterior, however, they have wall exhaust fans and ducted vent hoods over the ranges. Fans and hoods are in good condition and are operating. The exhaust fans terminate at the roof in goosenecks with bird screens. The ducts are of galvanized steel and have some corrosion. It is recommended that exhaust fans and range hoods be serviced and checked for proper operation.

The plumbing system consists of the waste and vent sanitary system, the water system and the gas system. There is no booster pump system for the domestic water system. The sanitary system is constructed with cast iron waste and galvanized steel vent systems. Pipes and fittings are of hub and spigot type. The system is a gravity system with the main sewer below the building. None of the pipes were visually checked because all pipes are within the walls and no exposed pipes were observed during the site visit. It is recommended that the sewer system be spot checked to verify the condition of the piping in the wall, and the system be routed through at every cleanout.

The domestic water system has a single pressure zone dependent upon the City's system for pressure to provide water up to the Fourth Floor. Exposed pipes are hard drawn copper. There were no visual leaks. The property does not have a backflow prevention device as required by the Board of Water Supply. Also, existing hose bibs do not have vacuum breakers as required under current Code. Hot water is produced centrally for the apartment units and the laundry room. Two fairly new gas water heaters are located within the laundry room and are rated at 360,000 BTUH. At this rating the heaters are considered boilers and are subject to State boiler codes, requirements and inspection. The dimensions of the room containing the heaters has inadequate clearances and does not have any ventilation. The mechanical engineer recommends that an approved reduced pressure backflow prevention device be provided for the water meter and the irrigation system. Also, hose bibs should be replaced with hose bibs with non-removable vacuum breakers; the hot water reticulating pump motor size should be checked and perhaps reduced in size for energy conservation; the heater room should be redesigned to provide ventilation louvers and adequate clearances around the boilers; and the heater flues should be replaced with a double wall rated flue that terminate in an approved gas roof cap.

With respect to the gas piping system, the gas meter and regulator vent are located at the building entry below the management office window. The propane tank is located at the northeast corner adjacent to the public sidewalk and trash bin without any enclosure, which should be added. The tank location does not meet the required setback distance to the property line. Because a minimum clearance of 3' is required, it is recommended that the gas meter regulator vent be piped away from the office window. The gas piping should be pressure tested to determine if there are any leaks.

Regarding plumbing fixtures, the water closets in apartment units 103 and 104 are regular flow tank type toilets, which are in fairly good condition aside from regular wear and tear, however, they could be replaced with low flow tank type water closets. The lavatories are original fixtures and are old and need cleaning, refinishing or replacement. Shower valves and trims need replacement, specifically, they should be replaced with a pressure balancing valve with a high limit temperature setting, low flow shower heads and single lever handles. The stainless steel sinks and counters are in fairly good condition, however, the faucets and drain fittings should be replaced with low flow faucets. The disposals are in good condition.

The building does not have an automatic fire sprinkler system. There are Class 1 fire hose cabinets with 5 lb. extinguishers on each floor located in the middle of each wing. The wet standpipe system was last inspected in June 2003. The roof fire department connection is in fair condition. A flow test should be done on the wet standpipe system and the dry standpipe system should be pressure tested, and fire extinguishers should be inspected.

Overall, the mechanical systems were observed to be generally maintained in fairly good condition. Due to the age of the building and the systems, with normal usage, future maintenance repairs will be required. Existing systems should be replaced with more efficient systems to reduce operating and maintenance costs.

d. **Architectural Observation Report**. The architect's report attached hereto as **Exhibit 7** indicates that the building is well maintained and will continue to perform well with proper maintenance and repair. The building does not have any handicap-accessible apartments and does not comply with requirements under the Americans with Disabilities Act ("ADA"), which will be required if the apartment units are rented out as transient lodgings rather than used as private residences.

The architect's specific site and building observations include the following: the laundry room should not have a sign that is visible to the general public from the street, which may attract business as a commercial operation in violation of the building's apartment zoning; public use of the laundry warrants the need for ADA access to the laundry from the public sidewalk; there is a gate to the property on the *makai*-Diamond Head end of the property but none on the *makai*-Ewa end; a CMU fence on the *makai*-Ewa corner was broken due to foundation failure; electric meters on the Ewa side of the property were severely rusted and do not have service lights; the swimming pool is an attractive nuisance and is easily accessible by jumping over the surrounding fence (as low as 4 ft. in certain areas) or the adjacent stair railing; the fence to the pool area was unlocked at the time of inspection and did not have self-closing, self-locking hardware; the pool area did not have any posted warning signs or pool rules; the pool deck area was cracked and is a tripping and slipping hazard; actual use of the 30-stall parking lot is diminished by the presence of a propane storage tank and a trash dumpster in the Varsity Place/Kalo Place corner of the parking area; stepping stones in the recreation area may create a tripping hazard; the laundry area has no smoke or fire extinguisher; outlets located within four feet of washers in the laundry must be GFIC-compliant; laundry vents should have lint filters on the exhausts; a Sentricon termite bait system is installed, however, termite damage was noted on door frames; paint on the walkway soffit and protective coating treatment on the walkway railing need repair to prevent spalling; sidewalk cracks need repair to prevent rust which may affect steel reinforcement and cause spalling and major structural failure; stair guardrails have 6" openings that may allow a small child to slip through; handrails are too low and stair risers and tread variations exceed Code requirements; upper floor walkways should have guardrails that are at least 1-1/2" more in height than the present guardrails; ponding occurs in walkways, on the laundry roof and the main roof; top guardrails have cracks that should be replaced at the proper height of 3'-6" throughout the building; fire hose cabinets are rusted and fire extinguishers are not visible, nor are there any emergency exit signs; the apartments do not have smoke detectors; installation of GFIC-compliant outlets and hard-wired smoke detectors in the bedrooms and hallway of each apartment is recommended; re-roofing is recommended, along with

the addition of scuppers to improve drainage; the building does not have any accessible units, although at least one is required in a building with 24 units; at least two parking stalls should be converted into accessible stalls; and bedroom windows are 5" too high. The architectural report also makes specific suggestions regarding renovations to portions of the building to comply with ADA standards. Other specific observations and items to be corrected are listed in the report.

In sum, the information set forth in this Section 11 is only a synopsis of the observations and recommendations made by the engineers, architect and environmental consultant and is not intended, nor should be construed by its incorporation herein, to be a representation or warranty of the Developer or more important than any other observation or recommendation contained in said Exhibits and not contained herein. Because the units in the buildings are being sold by the Developer in "AS IS" condition with "ALL FAULTS", each buyer should carefully review **Exhibits 4, 5, 6 and 7** in their entirety. Each buyer should inspect the buyer's apartment and the Project or have the apartment and the Project inspected by buyer's own experts to buyer's complete satisfaction.

12. **Hazardous Materials**. The Developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. In light of the age of the Project, there may be mold and other hazardous substances in the apartments or in, under or around the Project. Because of the possible presence of such substances, buyers should have their respective apartments inspected to determine the extent (if any) of such contamination and any necessary remedial action. The Developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and buyers shall expressly release the Developer from any liability if any hazardous materials are discovered.

13. **Lead-Based or Lead-Containing Paint**. The Project may 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. The Developer is required by law to provide Buyer with any information on lead-based or lead-containing paint hazards from risk assessments or inspections in the Developer's possession and notify Buyer of any known lead-based or lead-containing paint hazards. The Developer hereby discloses that the Developer has no knowledge of lead-based or lead-containing paint and/or lead-based or lead-containing paint hazards at the Project. A risk assessment or inspection, at the buyer's option and expense, for possible lead-based or lead-containing paint hazards is recommended prior to purchase.

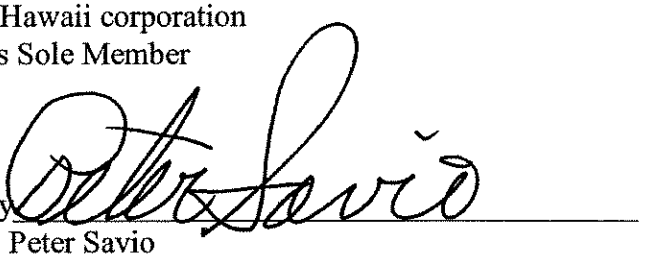
14. **Mold/Mildew**. Buyers are hereby advised that tropical climates with warm temperatures, high humidity and frequent precipitation are conducive to the propagation of mold, mildew, fungus and other types of bacterial growths. Though the buildings and other improvements that are a part of the Project may be cleaned to satisfactory appearance, the Developer cannot guaranty that mold, mildew, fungus and other types of bacterial growths can be eliminated. The buildings in the Project are old and may have had incidences of leaking and water exposure which may have resulted in the introduction of mold, mildew, fungus and other types of bacterial growths. Buyers should be aware that, as with all properties, the buildings may have hidden, enclosed and unreachable areas where growths can occur and cannot be detected 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 a buyer, any member of the buyer's family, or any person who will inhabit the Property 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. Neither the Developer nor its agents associated with the Project have the requisite knowledge to provide counsel as to the presence, likelihood of conditions conducive to propagation of mold, mildew, fungus and other type of bacterial growths in the Project or as to the effect the aforementioned conditions can have related to their health, welfare and continued enjoyment of the Property. Individuals who may be capable of providing such advice are professional home inspectors, medical professionals, scientific research professionals, certified industrial hygienist or other environmental specialists and/or others who have requisite knowledge in matters of detection and lab analysis services. Buyers are encouraged to perform or engage a professional consultant to perform a risk assessment or inspection in the buyer's apartment and the Project, at the buyer's option and expense, for the presence of mold, mildew, fungus or other types of bacterial growths in the apartment and the Project.

[*THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.*]

DATED: Honolulu, Hawaii, August 13, 2004.

HIDC 1054 DEVELOPMENT, LLC,
a Hawaii limited liability company

By: HAWAIIAN ISLAND DEVELOPMENT CO., INC.,
a Hawaii corporation
Its Sole Member

By 
Peter Savio
Its President

("the Developer")

EXHIBIT J

1054 Kalo Place

Managing Agent's
Estimated Annual Budget and Maintenance Fees

	MONTHLY	ANNUAL
INCOME		
Operating Reserve		
Television Cable		
Capital Improvement Reserve		
Maintenance Fees	8,312	99,744
EXPENSES		
Administrative Expenses	500	6,000
Repairs and Maintenance		
A/C, pumps and vents		
Building, regular	250	3,000
Building, fire protection	50	600
Grounds & Pool	600	7,200
Refuse removal	350	4,200
Misc. repairs, maintenance	45	540
Utilities		
Electricity	100	1,200
Telephone	180	2,160
Television cable	65	780
Water and sewer	1,800	21,600
Gas	1,160	13,920
Insurance	1,420	17,040
Accounting & Audit Fees	500	6,000
Replacement Reserve	1,292	15,504
DIFFERENCE (over/under)		

EXHIBIT 1

1054 Kalo Place

Managing Agent's
Estimated Annual Budget and Maintenance Fees

ESTIMATED MAINTENANCE CHARGES FOR EACH APARTMENT:

For the Dormitory Type apartment, the estimated monthly maintenance charge is $332.48.

For the Commercial Laundry Type apartment, the estimated monthly maintenance charge is $332.48.

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

1054 Kalo Place

Managing Agent's
Estimated Annual Budget and Maintenance Fees

CERTIFICATE

I, the undersigned, duly sworn on oath, depose and affirm as follows:

1. That I am the President of Hawaiian Island Homes, Ltd. a Hawaii corporation, designated by the developer of the 1054 Kalo Place condominium (the "Project") to act as the Managing Agent for the management and administration of the Project.

2. That I hereby certify that the breakdown of the annual maintenance charges and the monthly estimated cost for each apartment in the Project, as set forth above are reasonably estimates for the one-year period commencing January 1, 2004, based on generally accepted accounting principles.

DATED: Honolulu, Hawaii, this 13 day of August, 2004.

HAWAIIAN ISLAND HOMES LTD.,
a Hawaii corporation

By: Peter Savio
Name: Peter Savio
Its: President

Subscribed and sworn to before me
this 13th day of August, 2004.

Cheryl M. Erickson
Notary Public, State of Hawaii
Print Name: CHERYL M. ERICKSON
My commission expires: 1-3-07

C-5.

Armstrong Consulting, Inc.

August 12, 2004

Kalo Terrace
c/o Hawaiian Island Homes, Ltd.
Attn: Barry Kaplan
931 University Avenue, Suite 105
Honolulu, Hawaii 96826

Re: Kalo Terrace Reserve Study Summary

Dear Mr. Kaplan:

Enclosed is the reserve study conducted on Kalo Terrace. This project contains a four story residential buildings with a total of 24 units. This study considers the replacement, repairs and/or refurbishment of the project's common area improvements. The total current cost of the components included in this analysis as of January 1, 2005 is $164,148, and the total future cost is $238,684. The largest proportion of these expenses involves roofing.

Analysis 1 indicates our recommended 2005 contributions into reserves. The building is undergoing conversion from apartments to an AOAO and there is currently no reserve funds designated for the Association. Thus, the beginning reserve fund balance as of January 1, 2005 is $0. Utilizing these analysis parameters, the recommended reserve funding level for Kalo Terrace is $15,500 annually.

Based on discussions with the client and building management, this annual reserve contribution assumes that several building components will be replaced and/or repaired and will be considered new and in good condition as of January 1, 2005. These components include asphalt pavement, roofing, exterior paint and concrete spalling, general plumbing components and landscape irrigation system.

Please feel free to call us if you have any concerns or questions. We appreciate the opportunity to be of service.

Sincerely,

Robert Wilder
Reserve Specialist

Enclosure

HAWAII 850 W. Hind Dr., Suite 208 • Honolulu, HI 96821 • Phone: (808) 377-8500 • Toll Free (800) 561-7732 • Fax: (808) 377-8511
FLORIDA 1333 Gateway Dr., Suite 1014 • Melbourne, FL 32901 • Phone: (321) 674-0196 • Toll Free (888) 819-2300 • Fax: (321) 674-0197
WASHINGTON 2020 Maltby Rd., Suite 7 Box 202 • Bothell, WA 98021 • Phone: (425) 806-5370 • Toll Free (888) 806-5370 • Fax: (425) 806-5386
E-mail: sales@armstrongassoc.net

EXHIBIT 2

2005
RESERVE STUDY
FOR

Kalo Terrace

August 12, 2004

Prepared by **Armstrong Consulting, Inc.**

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Honolulu, Hawaii 96821
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Toll Free: (888) 819-2300

2005
RESERVE STUDY
FOR
Kalo Terrace

August 12, 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 May 25, 2004 by Robert Wilder, R.S.

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.

Armstrong Consulting, Inc.

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1333 Gateway Drive, Suite 1014
Melbourne, Florida 32901
Toll Free (888) 819-2300
Phone (321) 674-0196
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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.

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Kalo Terrace

PROJECT DEFINITION REPORT

8/12/2004

Project Information

Project:	Kalo Terrace	Project Date:	1/01/1970
Address:	1054 Kalo Place	Number of Phases:	0
City:	Honolulu	Number of Units:	24
State:	HI	Number of Models:	0
Zip:	96826-0000		

Property Description

The subject property is defined as the Kalo Terrace project and is located at 1054 Kalo Place in Honolulu, Hawaii. The project consists of a four story residential buildings that contain a total of 24 units.

The building is a concrete frame and masonry block structure. The foundation is poured concrete with re-enforced concrete footings. Sub-floors and roof deck are elevated concrete slabs. The roof is low slope with a pitch and gravel surface.

Other improvements include a swimming pool, asphalt paved parking area, landscape irrigation and minimal fencing. The property was built in approximately 1970 and was considered to be in fair to average condition upon the site visit conducted on May 25, 2004.

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Kalo Terrace

ANALYSIS DEFINITION REPORT

Analysis 1

Project Information

Project:	Kalo Terrace	Project Date:	1/01/1970
Address:	1054 Kalo Place	Analysis Date:	1/01/2005
City:	Honolulu	Number of Phases:	0
State:	HI	Number of Units:	24
Zip:	96826-0000	Number of Models:	0

Analysis Parameters

Rate of Inflation:	3%	Deferred Expenditures:	No
Rate of Return on Investment:	2%	Contingency:	0%
Beginning Funds:	$0.00	Contingency Time:	None
Loan/Special Assessment	No		

Annual Contribution Factors

		2015:	0%
2006:	0%	2016:	0%
2007:	0%	2017:	0%
2008:	0%	2018:	0%
2009:	0%	2019:	0%
2010:	0%	2020:	0%
2011:	0%	2021:	0%
2012:	0%	2022:	0%
2013:	0%	2023:	0%
2014:	0%	2024:	0%

Additional Analysis Information

Analysis 1 indicates the recommended contribution rate into reserves based on the above stated parameters. The analysis period utilized is 20 years and the average rate of return on reserve funds invested is projected at 2%. The inflation rate estimated for reserve components is 3% per year. The building is undergoing conversion from apartments to an AOAO and there are currently no reserve funds designated for the Association. The beginning reserve fund balance as of January 1, 2005 is $0. Utilizing these analysis parameters, the recommended reserve funding level for Kalo Terrace is $15,500 annually.

Based on discussions with the client and building management, this annual reserve contribution assumes that several building components will be replaced and/or repaired and will be considered new and in good condition as of January 1, 2005. These components include asphalt pavement, roofing, exterior paint and concrete spalling, general plumbing components and landscape irrigation system.

Please review the above financial parameters and the entire report for accuracy.

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CASHFLOW PERCENT FUNDED SUMMARY PROJECTIONS

Analysis 1

Year	Beginning Balance	Contribution	Average/ Unit/Mo	Interest Earned	Expenditures	Ending Balance
2005	0.00	15,500.00	53.82	168.97	0.00	15,668.97
2006	15,668.97	15,500.00	53.82	485.31	0.00	31,654.28
2007	31,654.28	15,500.00	53.82	808.03	0.00	47,962.31
2008	47,962.31	15,500.00	53.82	1,137.28	0.00	64,599.59
2009	64,599.59	15,500.00	53.82	1,473.16	0.00	81,572.75
2010	81,572.75	15,500.00	53.82	1,284.54	26,316.00	72,041.29
2011	72,041.29	15,500.00	53.82	1,547.45	3,761.00	85,327.74
2012	85,327.74	15,500.00	53.82	885.45	49,840.00	51,873.19
2013	51,873.19	15,500.00	53.82	1,177.85	1,901.00	66,650.04
2014	66,650.04	15,500.00	53.82	1,514.56	0.00	83,664.60
2015	83,664.60	15,500.00	53.82	1,360.80	24,631.00	75,894.40
2016	75,894.40	15,500.00	53.82	1,701.16	0.00	93,095.56
2017	93,095.56	15,500.00	53.82	1,957.76	4,492.00	106,061.32
2018	106,061.32	15,500.00	53.82	2,310.19	0.00	123,871.51
2019	123,871.51	15,500.00	53.82	1,323.95	72,062.00	68,633.46
2020	68,633.46	15,500.00	53.82	1,460.20	4,675.00	80,918.66
2021	80,918.66	15,500.00	53.82	1,802.59	0.00	98,221.25
2022	98,221.25	15,500.00	53.82	2,151.92	0.00	115,873.17
2023	115,873.17	15,500.00	53.82	430.04	102,942.00	28,861.21
2024	28,861.21	15,500.00	53.82	642.49	21,789.00	23,214.70
Totals:		**310,000.00**		**25,623.70**	**312,409.00**	

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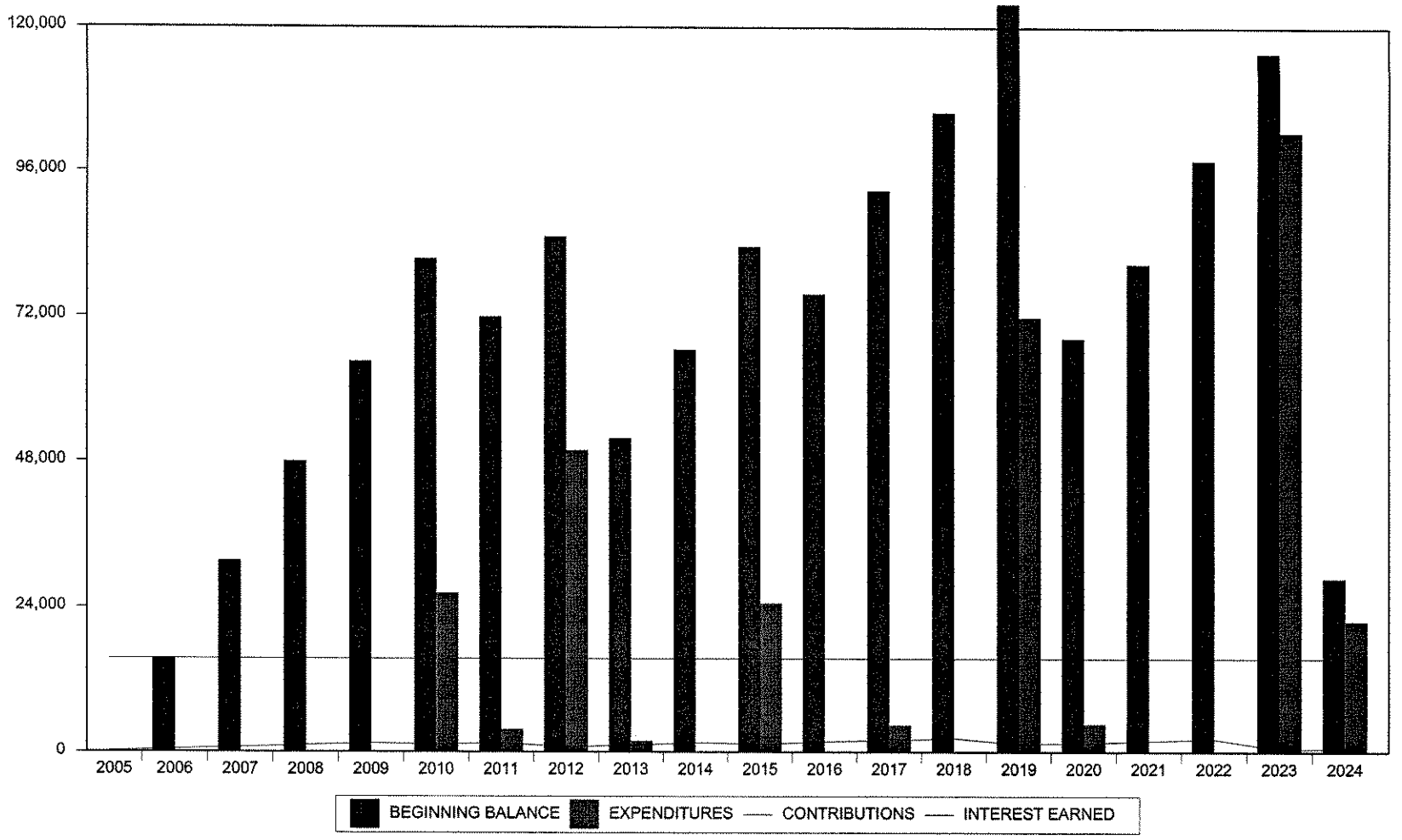
CASHFLOW PROJECTIONS GRAPH

Analysis 1



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PROJECTED EXPENDITURES

Analysis 1

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Asphalt Slurry Seal							3,761			
Fire Hoses & Cabinets						3,710				
Hot Water Boiler (1995)						8,115				
Paint - Building Exterior								47,227		
Pool Deck Seal Coat								2,613		
Pool Pump/Filter									1,901	
Pool Re-Tile						14,491				
Totals						**26,316**	**3,761**	**49,840**	**1,901**	

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PROJECTED EXPENDITURES

Analysis 1

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Asphalt Overlay										21,789
Asphalt Slurry Seal			4,492						5,364	
Concrete Spall Repairs										
Fence-Chain Link - 4' High	3,176									
Fence-Chain Link - 6' High	8,684									
Hot Water Boiler (2004)					10,746					
Landscape Irrigation System Repairs						4,675				
Mail Boxes-Aluminum Gang Type	2,689									
Paint - Building Exterior					58,101					
Plumbing Repairs - General	10,082									
Pool Deck Seal Coat					3,215					
Pool Pump/Filter									2,554	
Roof-Pitch & Gravel									95,024	
Totals	**24,631**		**4,492**		**72,062**	**4,675**			**102,942**	**21,789**

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Kalo Terrace

ACCOUNTANT'S REPORT

Analysis 1

1/01/2005 - 12/31/2005

Component	Remaining Life (yr/mo)	Future Cost	Assigned Reserves	2005 Contribution Requirement	2005 Assigned Interest Earned	2005 Funding Requirement
Asphalt Overlay	19/09	21,789	0	141	2	143
Asphalt Slurry Seal	06/00	3,761	0	78	1	79
Concrete Spall Repairs	19/09	0	0	0	0	0
Fence-Chain Link - 4' High	10/00	3,176	0	816	9	825
Fence-Chain Link - 6' High	10/00	8,684	0	2,232	24	2,256
Fire Hoses & Cabinets	05/00	3,710	0	1,430	16	1,446
Hot Water Boiler (1995)	05/00	8,115	0	2,780	30	2,810
Hot Water Boiler (2004)	14/06	10,746	0	185	2	187
Landscape Irrigation System Repairs	15/00	4,675	0	40	0	40
Mail Boxes-Aluminum Gang Type	10/00	2,689	0	829	9	838
Paint - Building Exterior	07/00	47,227	0	566	6	572
Plumbing Repairs - General	10/00	10,082	0	127	1	128
Pool Deck Seal Coat	07/00	2,613	0	47	1	48
Pool Pump/Filter	08/00	1,901	0	195	2	197
Pool Re-Tile	05/00	14,491	0	5,585	61	5,646
Roof-Pitch & Gravel	18/00	95,024	0	449	5	454
Totals:		**238,683**	**0**	**15,500**	**169**	**15,669**

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Kalo Terrace

COMPONENT SUMMARY REPORT

Analysis 1

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Building Exterior Renovation							
Concrete Spall Repairs	10/01/2004	20/00	00/00	10/24	Y	0	0
Paint - Building Exterior	11/01/2004	07/00	+00/02	01/12	Y	38,400	47,227
Sub Total:						**38,400**	**47,227**
Fire/Life Safety							
Fire Hoses & Cabinets	1/01/1990	20/00	00/00	01/10	Y	3,200	3,710
Sub Total:						**3,200**	**3,710**
Grounds							
Landscape Irrigation System Repairs	10/01/2004	15/00	+00/03	01/20	Y	3,000	4,675
Sub Total:						**3,000**	**4,675**
Mail							
Mail Boxes-Aluminum Gang Type	1/01/1990	25/00	00/00	01/15	Y	2,000	2,689
Sub Total:						**2,000**	**2,689**
Mechanical							
Hot Water Boiler (1995)	1/01/1995	15/00	00/00	01/10	Y	7,000	8,115
Hot Water Boiler (2004)	7/01/2004	15/00	00/00	07/19	Y	7,000	10,746
Sub Total:						**14,000**	**18,861**
Pavement							
Asphalt Overlay	10/01/2004	20/00	00/00	10/24	Y	12,150	21,789

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COMPONENT SUMMARY REPORT

Analysis 1

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Asphalt Slurry Seal	10/01/2004	06/00	+00/03	01/11	Y	3,150	3,761
Sub Total:						**15,300**	**25,550**
Plumbing							
Plumbing Repairs - General	10/01/2004	10/00	+00/03	01/15	Y	7,500	10,082
Sub Total:						**7,500**	**10,082**
Roofing							
Roof-Pitch & Gravel	11/01/2004	18/00	+00/02	01/23	Y	55,800	95,024
Sub Total:						**55,800**	**95,024**
Security							
Fence-Chain Link - 4' High	1/01/1995	20/00	00/00	01/15	Y	2,363	3,177
Fence-Chain Link - 6' High	1/01/1995	20/00	00/00	01/15	Y	6,460	8,684
Sub Total:						**8,823**	**11,861**
Swimming Pool							
Pool Deck Seal Coat	10/01/2004	07/00	+00/03	01/12	Y	2,125	2,613
Pool Pump/Filter	1/01/2003	10/00	00/00	01/13	Y	1,500	1,901
Pool Re-Tile	1/01/1990	20/00	00/00	01/10	Y	12,500	14,491
Sub Total:						**16,125**	**19,005**
Grand Total:						**164,148**	**238,684**

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COMPONENT DETAIL REPORT

Analysis 1

Asphalt Overlay

Category:	Pavement	Unit Cost:	$1.35
Began Use:	10/01/2004	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$12,150.00
Next Replacement:	10/01/2024	Future Cost:	$21,789.13
Remaining Life:	19 YRS	Salvage Value:	$0.00
Quantity:	9,000.00 SQ. FT.		

Remarks

This portion of the asphalt surface received and overlay approximately 2 years ago and the remaining portion of the asphalt surface is planned for an overlay in late 2004. The asphalt surface is estimated to have a total useful life of 20 years before requiring an overlay. For budgeting purposes, the next overlay for the asphalt parking area is projected for 2024. The estimated cost and useful life of the asphalt overlay are based on cost data, industry standards and the reserve specialist's experience with this type component.

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COMPONENT DETAIL REPORT

Analysis 1

Asphalt Slurry Seal

Category:	Pavement	Unit Cost:	$0.35
Began Use:	10/01/2004	Cost Type:	Contractor
Lifespan:	6 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+ 3 months	Current Cost:	$3,150.00
Next Replacement:	1/01/2011	Future Cost:	$3,761.26
Remaining Life:	6 YRS	Salvage Value:	$0.00
Quantity:	9,000.00 SQ. FT.		

Remarks

A portion of the asphalt surface received an overlay in 2002 and the remaining portion is planned for an overlay in late 2004. A slurry seal application is recommended within 6 years of the last overlay or in 2011. The parking area is recommended for a slurry seal application every 6 years. The estimated cost and useful life of the asphalt slurry seal are based on cost data, industry standards and the reserve specialist's experience with this type component.

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COMPONENT DETAIL REPORT

Analysis 1

Concrete Spall Repairs

Category:	Building Exterior Renovation	Unit Cost:	$0.00
Began Use:	10/01/2004	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$0.00
Next Replacement:	10/01/2024	Future Cost:	$0.00
Remaining Life:	19 YRS	Salvage Value:	$0.00
Quantity:	1.00 TOTAL		

Remarks

Concrete spalling repairs can become a significant expense as the building ages. These problems generally begin when steel and concrete frame building's are 15 to 20 years in age. The Kalo Terrace building is approximately 34 years old significant concrete spall damage was noted during the May 2004 site visit. This concrete spall damage is to be repaired and the building will be repainted prior to the end of 2004 based on information provided by the client. The amount of future concrete spalling damage, cost to repair and time frames for this component cannot be predicted with a reasonable degree of accuracy. Therefore, no concrete spalling repair cost or time frames are included in this report. A repair cost and time frame can be included for concrete spalling repairs upon the direction of the client.

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COMPONENT DETAIL REPORT

Analysis 1

Fence-Chain Link - 4' High

Category:	Security	Unit Cost:	$13.50
Began Use:	1/01/1995	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$2,362.50
Next Replacement:	1/01/2015	Future Cost:	$3,175.94
Remaining Life:	10 YRS	Salvage Value:	$0.00
Quantity:	175.00 LN. FT.		

Remarks

The previous replacement of the 4' high chain link fence is unknown and is estimated based on observed conditions. The fence is currently in average condition and is projected for replacement in 2015. Estimated replacement cost and useful life are based on national cost data and the reserve specialist's experience with this type component.

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COMPONENT DETAIL REPORT

Analysis 1

Fence-Chain Link - 6' High

Category:	Security	Unit Cost:	$19.00
Began Use:	1/01/1995	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$6,460.00
Next Replacement:	1/01/2015	Future Cost:	$8,684.27
Remaining Life:	10 YRS	Salvage Value:	$0.00
Quantity:	340.00 LN. FT.		

Remarks

The previous replacement of the 6' high chain link fence is unknown and is estimated based on observed conditions. The fence is currently in average condition and is projected for replacement in 2015. Estimated replacement cost and useful life are based on national cost data and the reserve specialist's experience with this type component.

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COMPONENT DETAIL REPORT

Analysis 1

Fire Hoses & Cabinets

Category:	Fire/Life Safety	Unit Cost:	$400.00
Began Use:	1/01/1990	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$3,200.00
Next Replacement:	1/01/2010	Future Cost:	$3,709.68
Remaining Life:	5 YRS	Salvage Value:	$0.00
Quantity:	8.00 EACH		

Remarks

The fire hoses are replaced on an as needed basis and the metal cabinets may be original to the building's construction. Some cabinets are experiencing significant rust and a few may require replacement within the next few years. For budgeting purposes, replacement of the fire hose cabinets are projected for 2010. Estimated replacement cost is based on national cost data.

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COMPONENT DETAIL REPORT

Analysis 1

Hot Water Boiler (1995)

Category:	Mechanical	Unit Cost:	$7,000.00
Began Use:	1/01/1995	Cost Type:	Contractor
Lifespan:	15 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$7,000.00
Next Replacement:	1/01/2010	Future Cost:	$8,114.92
Remaining Life:	5 YRS	Salvage Value:	$0.00
Quantity:	1.00 EACH		

Remarks

One of the two 125 gallon gas hot water boilers was replaced in 1995. This hot water boiler is estimated to have a total useful life of 15 years and replacement is projected for 2010. Replacement cost is based on information provided by the project's management. Useful life is based on the reserve specialist's experience with this type component.

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COMPONENT DETAIL REPORT

Analysis 1

Hot Water Boiler (2004)

Category:	Mechanical	Unit Cost:	$7,000.00
Began Use:	7/01/2004	Cost Type:	Contractor
Lifespan:	15 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$7,000.00
Next Replacement:	7/01/2019	Future Cost:	$10,745.78
Remaining Life:	14 YRS	Salvage Value:	$0.00
Quantity:	1.00 EACH		

Remarks

One of the two 125 gallon gas hot water boilers was replaced in 2004. This hot water boiler is estimated to have a total useful life of 15 years and replacement is projected for 2019. Replacement cost is based on information provided by the project's management. Useful life is based on the reserve specialist's experience with this type component.

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COMPONENT DETAIL REPORT

Analysis 1

Landscape Irrigation System Repairs

Category:	Grounds	Unit Cost:	$3,000.00
Began Use:	10/01/2004	Cost Type:	Contractor
Lifespan:	15 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+3 months	Current Cost:	$3,000.00
Next Replacement:	1/01/2020	Future Cost:	$4,675.28
Remaining Life:	15 YRS	Salvage Value:	$0.00
Quantity:	1.00 LUMP SUM		

Remarks

This component involves the maintenance to the landscape irrigation system. This component includes maintenance and/or replacements of irrigation system timers, lines, sprinkler heads and pumps. $10,000 to $15,000 will be spent on the landscape sprinkler system, low voltage landscape lighting and landscaping in late 2004. This component assumes that the irrigation system will be in good condition by the end of 2004. Future repairs will likely be made on an as needed basis. This component is included for budgetary purposes.

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COMPONENT DETAIL REPORT

Analysis 1

Mail Boxes-Aluminum Gang Type

Category:	Mail	Unit Cost:	$2,000.00
Began Use:	1/01/1990	Cost Type:	Contractor
Lifespan:	25 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$2,000.00
Next Replacement:	1/01/2015	Future Cost:	$2,688.63
Remaining Life:	10 YRS	Salvage Value:	$0.00
Quantity:	1.00 TOTAL		

Remarks

The previous replacement of the mail boxes is unknown and is estimated based on observed conditions. The mail boxes do not appear to be original to the building's construction and are currently in average condition. For budgeting purposes, replacement is projected for 2015.

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COMPONENT DETAIL REPORT

Analysis 1

Paint - Building Exterior

Category:	Building Exterior Renovation	Unit Cost:	$1,600.00
Began Use:	11/01/2004	Cost Type:	Contractor
Lifespan:	7 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+ 2 months	Current Cost:	$38,400.00
Next Replacement:	1/01/2012	Future Cost:	$47,227.16
Remaining Life:	7 YRS	Salvage Value:	$0.00
Quantity:	24.00 UNIT		

Remarks

The exterior paint is currently in poor condition repainting is planned for late 2004 based on information provided by the client. This component does not included concrete spall repairs, which is significant (See Concrete Spalling Repairs component). The next exterior painting is projected for 2012. Estimated cost and useful life of the exterior paint are based on internal cost data and the reserve specialist's experience with this type component.

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COMPONENT DETAIL REPORT

Analysis 1

Plumbing Repairs - General

Category:	Plumbing	Unit Cost:	$7,500.00
Began Use:	10/01/2004	Cost Type:	Contractor
Lifespan:	10 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+ 3 months	Current Cost:	$7,500.00
Next Replacement:	1/01/2015	Future Cost:	$10,082.35
Remaining Life:	10 YRS	Salvage Value:	$0.00
Quantity:	1.00 LUMP SUM		

Remarks

The plumbing repair - general component is a fund set aside to pay for general repairs and replacement of plumbing components. Replacement of the buildings' overall plumbing system or sections of the plumbing system is not considered reasonable because this component is unpredictable, hidden to view and is considered a long-lived component that should have a useful life similar to that of the overall building. However, repairs to plumbing components can be expected over the period of this analysis. This component is included for budgetary purposes to conduct repairs to plumbing components.

The plumbing systems stem and trim will be replaced in late 2004 and the building's copper piping is currently considered to be in good condition.

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COMPONENT DETAIL REPORT

Analysis 1

Pool Deck Seal Coat

Category:	Swimming Pool	Unit Cost:	$2.50
Began Use:	10/01/2004	Cost Type:	Contractor
Lifespan:	7 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+ 3 months	Current Cost:	$2,125.00
Next Replacement:	1/01/2012	Future Cost:	$2,613.48
Remaining Life:	7 YRS	Salvage Value:	$0.00
Quantity:	850.00 SQ. FT.		

Remarks

This component recommends the installation of a seal coat on the swimming pool deck. The deck currently has a non-coated concrete deck that is heavily stained and cracked in areas. This deck will require re-coating every 6 to 8 years. Estimated cost and useful life of the swimming pool deck coating are based on internal cost data and the reserve specialist's experience with this type component.

Because of the low cost of this component relative to the overall scope of the projects being conducted to the property in late 2004, this component will likely occur and is considered new and in good condition for the purposes of this study.

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COMPONENT DETAIL REPORT

Analysis 1

Pool Pump/Filter

Category:	Swimming Pool	Unit Cost:	$1,500.00
Began Use:	1/01/2003	Cost Type:	Contractor
Lifespan:	10 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$1,500.00
Next Replacement:	1/01/2013	Future Cost:	$1,900.72
Remaining Life:	8 YRS	Salvage Value:	$0.00
Quantity:	1.00 LUMP SUM		

Remarks

The swimming pool filter is relatively new and in good condition. The pool pump and filter is estimated to have a total useful life of 10 years and replacement is projected for 2013. Estimated replacement cost and useful life of the pool equipment are based on internal cost data and the reserve specialist's experience with this type component.

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COMPONENT DETAIL REPORT

Analysis 1

Pool Re-Tile

Category:	Swimming Pool	Unit Cost:	$12,500.00
Began Use:	1/01/1990	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	$12,500.00
Next Replacement:	1/01/2010	Future Cost:	$14,490.93
Remaining Life:	5 YRS	Salvage Value:	$0.00
Quantity:	1.00 TOTAL		

Remarks

The installation of the swimming pool's ceramic tile surface is unknown and is estimated based on observed conditions. The ceramic tile surface currently appears to be in average condition but it is recommended that the tile be re-grouted as soon as possible. Discussions with the property manager indicated that the pool will likely be re-grouted prior to the end of 2004. For budgeting purposes, replacement of the ceramic tile surface is projected for 2010. Estimated replacement cost and useful life of the ceramic tile surface are based on internal cost data and the reserve specialist's experience with this type component.

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COMPONENT DETAIL REPORT

Analysis 1

Roof-Pitch & Gravel

Category:	Roofing	Unit Cost:	$600.00
Began Use:	11/01/2004	Cost Type:	Contractor
Lifespan:	18 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+ 2 months	Current Cost:	$55,800.00
Next Replacement:	1/01/2023	Future Cost:	$95,023.85
Remaining Life:	18 YRS	Salvage Value:	$0.00
Quantity:	93.00 SQUARE		

Remarks

The roof surface currently appears to be in poor to fair condition with leaks noted in the laundry room. Replacement of the roof surface is planned for replacement in late 2004 based on information provided by the project's management. The roof is considered to be new and in good condition as of January 2005 for the purposes of this study. The estimated replacement cost and useful life of the roof surface are based on internal cost data and the reserve specialist's experience with this type component.

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CITY AND COUNTY OF HONOLULU
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JEREMY HARRIS
MAYOR

ERIC G. CRISPIN, AIA
DIRECTOR

BARBARA KIM STANTON
DEPUTY DIRECTOR

2004/ELOG-933(RLK)

August 9, 2004

Genro & Muriel Kashiwa
5341 Apo Drive
Honolulu, Hawaii 96821

Dear Mr. & Mrs. Kashiwa:

Subject: Condominium Conversion Project
1054 Kalo Place
Tax Map Key: 2-8-24: 24

This is in response to your letter dated April 30, 2004 requesting verification that the structures on the above-mentioned property met all applicable code requirements at the time of construction.

Investigation revealed that a four-story twenty four-unit apartment building with thirty all-weather surface off-street parking spaces and one all-weather surface loading space met all applicable code requirements when it was constructed in 1970 on this 28,972-square foot A-2 Medium Density Apartment zoned lot.

A discrepancy in the number of current all-weather surface off-street parking spaces (33) has been corrected by management. A follow-up inspection on August 2, 2004 revealed that the parking lot has been re-striped to the original parking layout that was approved when the building was constructed in 1970.

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

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

EXHIBIT 3

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

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

Sincerely yours,

for ERIC G. CRISPIN, AIA
Director of Planning and Permitting

EGC:ft

Doc 317047

HAWAII
ENGINEERING
GROUP, INC.

Consulting Civil & Structural Engineers

May 21, 2004

Re: 1054 Kalo Place CPR
Honolulu, HI 96826

Structural Engineering Observation Report

A site visit was held to note cursory observations of "1054 Kalo Place" on May 5, 2004. The inspection involved a one-hour walk-through observation of the building complex. The observations were limited to the following areas only:

- Laundry Room
- Building Exterior
- Building Walkways
- Swimming Pool Deck

No calculations or testing of any kind was performed. Architectural, Mechanical, Electrical, and other nonstructural aspects were not addressed. Compliance of design with the current building codes or the building code it was designed under was not checked.

A set of structural drawings was not available for review. The drawings indicate that the building was built in late 60's or early 70's. The drawings were sealed and signed by a registered structural engineer. The building is a 4 storied walk up structure with 8" CMU bearing walls and 6 ½" thick cast in place reinforced concrete floor slabs. The ground floor consists of a 4" thick concrete slab on grade. The bearing walls are supported by continuous wall foundations and equally spaced piles. The open walkway has 4" thick CMU railings. The drawings indicate that the railings are partially grouted.

Observations

1. There may be a drainage problem at the back of the building where the roof drains day light. These are signs of water ponding behind the building around the roof drain outlets.

2. The boundary wall at the back of the building on makai side has vertical cracks. These cracks are caused by soil movement and lack of reinforcement in the wall.

3. Ponding was observed on the roof of laundry room.

4. The laundry room roof slab has cracks at the overhangs. Inside the laundry room the ceiling concrete is spalling and paint is peeling off. The exposed rebars at spall locations show signs of corrosion.

98-023 Hekaha Street, Unit 2B, Aiea, Hawaii 96701 – Tel: (808) 486-2092 Fax: (808) 486-9261
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EXHIBIT 4

5. The walkway concrete slabs have cracks throughout the building. These cracks generally reflect locations of rebar inside the concrete.

6. The landing slabs at stairs show deterioration of concrete.

7. The concrete walkway drain holes are plugged at one location on the 2nd floor. This has caused moisture to seep through the slab causing the paint to peel from the ceiling below.

8. The stair railing seems to have suffered corrosion damage at connections to the concrete slab. These connections appear to have been repaired by through bolting the rail post bases to the concrete slab.

9. The walkway railing has damage in numerous locations at all floor levels. The damage is related to corrosion of rebars inside the railing. The corroded rebars expand and cause the CMU block to crack or spall.

10. Cracks were observed in the pool deck slab on grade.

11. No signs of ground settlement were observed in the building structure.

Recommendations:

Most of the damage observed is minor in nature and does not impact the overall integrity of the structure. However, some parts of the buildings need immediate attention and our recommendations are as follows:

1. The laundry room should be re-roofed to avoid ponding. Further the spalls in the laundry buildings should be repaired with proper materials to prevent propagation of corrosion of rebars. All cracks visible in the soffit of laundry room slab should be repaired by proper concrete spall repair procedures. Before re-roofing, the slab should be inspected for any cracks that may require repairs.

2. Concrete walkways and landing slabs should be repaired with epoxy injection of cracks and sealed with a coating system to prevent moisture from penetrating the surface,

3. The concrete walkway drains should be cleared and new drains put in where there are none, to allow rain water to drain freely without creating a ponding condition.

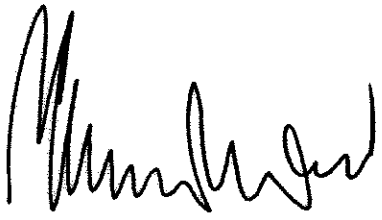
4. All walkway railings should be repaired and restored to the original condition.

5. The drainage at the back of the building should be addressed. The water from the drain pipes should be drained away from the building to keep it from ponding against the building.

All repairs should be done by an experienced contractor under the guidance of a registered professional engineer.

Maintenance is important for the upkeep of the buildings. In general, the building is structurally in good condition. The damage observed is minor in nature. The buildings should continue to perform well with regular maintenance. All repairs should be done by a licensed contractor under the guidance of a licensed structural engineer.

This report does not address portions of the building other than those areas mentioned, nor does it provide any warranty either expressed or implied for any portion of the existing building. If there are any comments or questions on any item above, please do not hesitate in calling.



Submitted by: _____

Ather R. Dar, P.E., President
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May 28, 2004

1054 Kalo Street Apartments
Electrical Engineering Observation Report

Date of observation: May 7, 2004 at approximately 10:00 am.

General Notes:

a. Our field observation was general in nature and was intended to check the basic electrical condition of the building. A detailed investigation was not done.

b. Two (2) units (Unit #103 & #104) were briefly observed. We assume that the other units are similar in construction to this.

c. This report is only a description of the general electrical condition of the building, and is not a document which requires modifications to the building.

d. Code requirements (noted in bold in the descriptions) are based on current codes in effect. Some of these might not have been in effect when the buildings were originally built.

e. The building is a four-story walkup apartment building (24 units total), with common-area laundry facilities. The apartment units utilize gas ranges. The building has a central gas water heating system. The laundry dryers are gas type.

Field Observations:

Main Utility Services/Distribution System

1. The building power service consists of a 3" underground secondary conduit originating from a utility pole on Varsity Place. The service equipment is located on the ewa-makai corner of the building, and consists of 24 apartment unit meters (with 50A-2P main breakers), and one house meter (with 100A-2P main breaker). The main disconnect/protective device consists of a 400A-rated fused switch – we could not open the enclosure to verify the fuse rating. Service voltage is 120/240 volt, single-phase, three-wire. Most of the service equipment is severely rusted – to the point where the equipment covers could not be easily opened.

2. The building telephone service drop is overhead from a pole on Varsity Place, to a telephone cabinet on the ground floor near the middle of the building. The manner in which the overhead cable is installed causes the cable to drop very low (less than seven feet ground clearance) across the walkway near the building. **This is in violation of the Code-required minimum clearance for overhead line clearances**.

EXHIBIT 5

3. The building cable television service drop is overhead from a pole on Varsity Place, to a cabinet near the electric service equipment. This system appears to have been installed after the original building was constructed, since the cable distribution to the apartment units is done via surface wiremold-type raceways along the outside of the building.

Apartment Units (Units #103 and #104 observed)

4. The circuit breaker(s) feeding the bedroom circuit(s) are not the arc-fault interrupter type. **Current codes require all dwelling unit bedroom branch circuits to be protected by arc-fault interrupters**. This is a relatively new Code requirement which was introduced January 1, 2002.

5. The receptacles at the bathroom sinks are not the GFCI-protected type. **Codes require the use of GFCI-protected receptacles in dwelling unit bathrooms**.

6. The receptacles at the kitchen counters are not the GFCI-protected type. **Codes require the use of GFCI-protected receptacles at dwelling unit kitchen counters**.

7. The loadcenter in the pantry does not comply with the minimum required working clearance. **The Code requires a clear working space a minimum of 30" wide, 36" front, and 80" high about panels/loadcenters.**

8. There is a single battery-powered smoke detector in the hallway of the unit. This is less than the code-required number of smoke detectors. **The Code requires a detector within each sleeping room, and a detector in the hallway, interconnected for common-alarm within the respective unit**.

9. **Outlets in some locations (e.g. hallway & dining area) might not comply with the NEC-required minimum spacing for dwelling units**.

10. Some of the light fixture diffusers are broken or missing.

Building Common Area

11. Light fixtures in certain areas (e.g. laundry room, walkways) were noted with broken or missing diffusers.

12. Some of the ground-mounted lights in the landscaped area fronting the apartments have been knocked over or otherwise damaged. Exposed wiring was noted in a few areas. **The Code does not allow exposed wiring for this use (assuming that these are Class 1 wiring circuits)**.

13. There are no lights installed for the parking lot area.

14. The building fire alarm system consists of a pullstation at each stair entry area, and a bell on each side of the building at alternating floors.

General Notes/Summary

1. The power service equipment is in an advanced state of physical deterioration, and will need to replaced soon. It appears that exposure to the elements has caused the rather severe rusting of the enclosures. We could not open some of the covers because of this, and were unwilling to try and force the covers open (to avoid permanent damage to the enclosures).

2. Assuming that the main service fuses are rated at 400A, our rough calculations indicate that the apartments will probably be able to handle an air conditioning load of about 1 ton each unit (without having to upgrade the service equipment). HECO will need to be notified if this is done, since we do not know if their distribution system is set up to handle this type of additional load.

Bennett Engineers Inc. (Electrical Engineers)

Submitted By Ryan R Hashiro
Ryan R. Hashiro, P.E.

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Date: June 1, 2004

Project: 1054 Kalo Place
Honolulu, Hawaii

DUE DILIGENCE REPORT

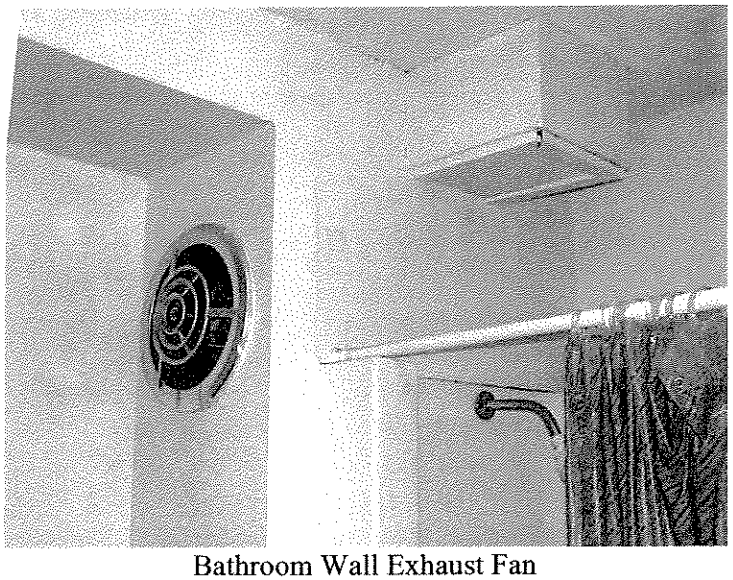
The project scope was to visually inspect the existing mechanical systems for a four story walk-up apartment building. There are a total of twenty four units with six units per floor. The building is constructed of concrete masonry and concrete roof and floors. The building is a rental and operated and designed as a dormitory. Each unit has four bedrooms with a common kitchen and living area and shared two full baths. There is no insulation below the roof. The ground level has a unit that was converted to the Manager's Office and a coin operated laundry. The plumbing system was visually assessed to their physical conditions and code violations. The building does not have an air conditioning or a fire sprinkler system.

VENTILATION SYSTEM

The bathrooms and kitchen are naturally ventilated by operable jalousie type windows with exception to the middle corner Units 104, 204, 304 and 404. These units do not have windows open to the exterior.

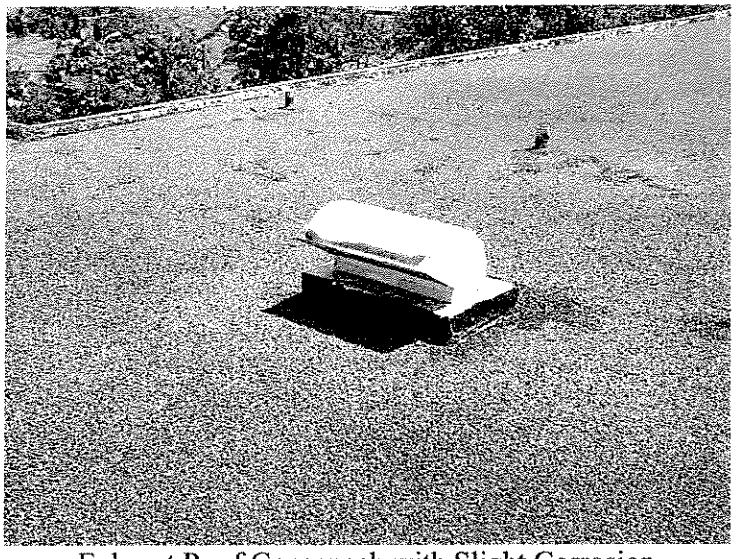
Units 104, 204, 304 and 404 have wall exhaust fans and ducted vent hoods over the ranges.

EXHIBIT 6



Bathroom Wall Exhaust Fan

The fans and hoods are in good condition and operating. The exhaust vents terminate at the roof in goosenecks with bird screens. The ducts are galvanized steel and have some corrosion.



Exhaust Roof Gooseneck with Slight Corrosion

Ventilation Recommendations: Exhaust fans and range hoods should be serviced and check for proper operation. Exhaust fans could be serviced and clean and remain. The range hoods probably would need to be replaced if the units are to be upgraded. The hoods have an enameled finish and will probably be marred with cleaning agents.

PLUMBING SYSTEM

The plumbing system consists of the waste and vent sanitary system, water system and gas system for the four floors. There is no booster pump system for the domestic water system.

Sanitary System:

The sanitary system is constructed with cast iron waste and galvanized steel vent systems. The pipes and fittings are of hub and spigot type. The system is a gravity system with the main sewer below the building. There were no visual checks on the pipe conditions because all the pipes were within the walls and were not exposed during the site visit. The Building Managers did not indicate any problems with the sanitary waste system.

Sanitary System Recommendations: The system should be spot checked in walls to verify the conditions of the piping in the wall. The sewer system should be routed through at every cleanout.

Water System:

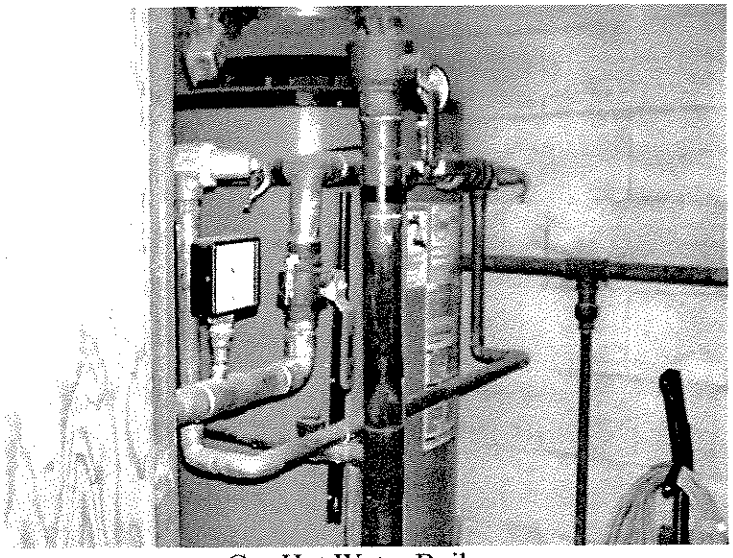
The domestic water system has a single pressure zone which is dependent on the City's pressure to provide water up to the Fourth Floor. The exposed pipes are hard drawn copper. There were no visual leaks. The existing water meter is located on the Kalo Place Northwest corner of the property.

There is no backflow prevention device installed for the property. An approved backflow prevention device is required by the Board of Water Supply. Existing hose bibs did not have vacuum breakers as required by City of Honolulu code requirements.

The hot water is produced centrally for the units and the laundry. There are two gas water heaters located in a room located in the Laundry. The heaters are fairly new and are as follows:

Model:	Rheem R360-65A
Capacity:	65 gallons
BTUH:	360,000 BTUH
Recovery:	327 GPH/100 degF Temperature Rise

Because the units are rated at 360,000 BTUH the heaters are considered boilers and subject to the State boiler codes, requirements and inspection. The room that the boilers are located is not adequate. The room has inadequate clearances. It is required that the units have 18 inches clearance on three sides and three feet clearance in the front of access of hand holes and electric controls. The heater flues are single wall galvanized sheet metal with a cone shaped cap. There was no ventilation to the Heater Room.



Gas Hot Water Boilers

The hot water system is a recirculation type with the main loop below grade and smaller loops on each riser. The recirculation pump is in the Heater Room.

Water System Recommendations: An approved reduced pressure backflow prevention device (RPBP) is required immediately after the water meter. Device shall be installed in adjacent landscaping area. A RPBP should be provided for the irrigation system also.

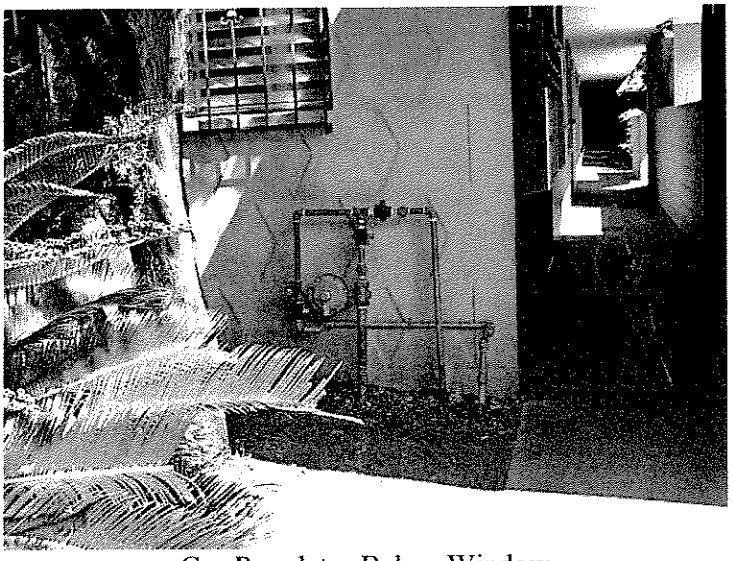
Hose bibs shall be replaced with hose bibs with non-removable vacuum breaker.

Hot water reticulating pump motor size should be checked. Existing motor is a ¾ HP motor. Energy will be saved if recalculating pump horsepower is reduced to below ½ HP.

Heater Room walls should be redesigned to provide adequate clearances around the boilers. The room should not be used as a storage room. Ventilation louvers should be provided within twelve inches of the ceiling and floor level per the latest edition of the Uniform Plumbing Code. The heater flues should be replaced with a double wall rated flue and terminate in an approved gas roof cap.

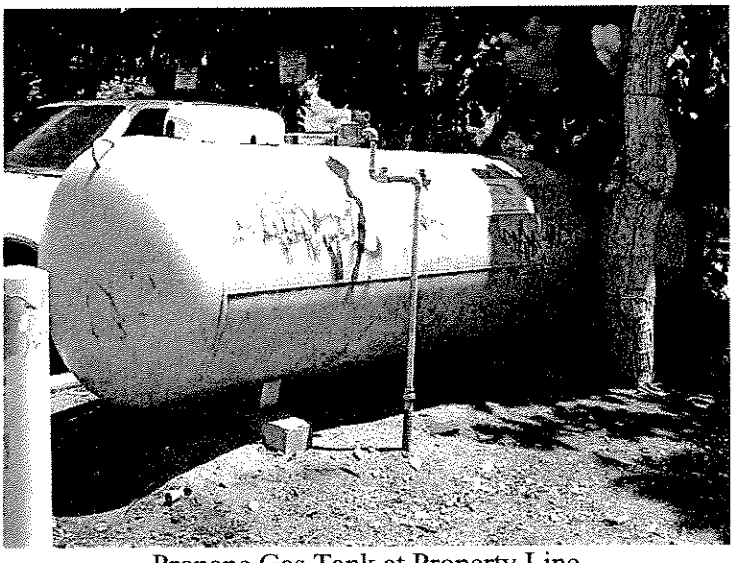
Gas Piping:

The gas meter and regulator is located at the entry of the complex and located below the office window.



Gas Regulator Below Window

Gas is provided to the Laundry and the ranges to each unit. Gas piping is located in the courtyard area and branches out to the units with risers to the upper units. The propane tank is located at the Northeast corner. The tank is located adjacent to the street sidewalks and trash bin without any enclosure. The tank location does not meet the required distance to the property line.



Propane Gas Tank at Property Line

Gas Piping Recommendations: The gas meter regulator vent should be piped beyond the operable window. A minimum of three feet clearance from windows are required. Although propane is heavier than air, the air currents from the wind cannot be controlled. Therefore we recommend that the vent be piped away from the window.

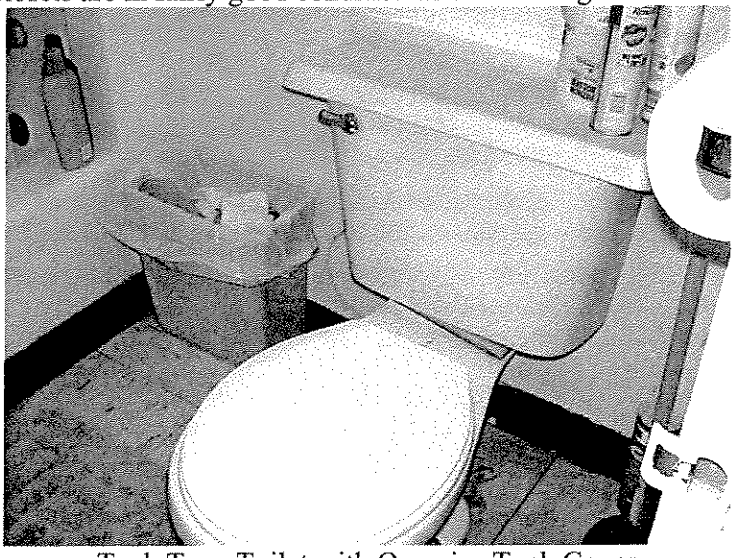
The piping should be pressure tested to determine if there are any leaks in the underground piping.

An enclosure should be built around the gas propane tank. It is located where vandalism can happen.

Plumbing Fixtures:

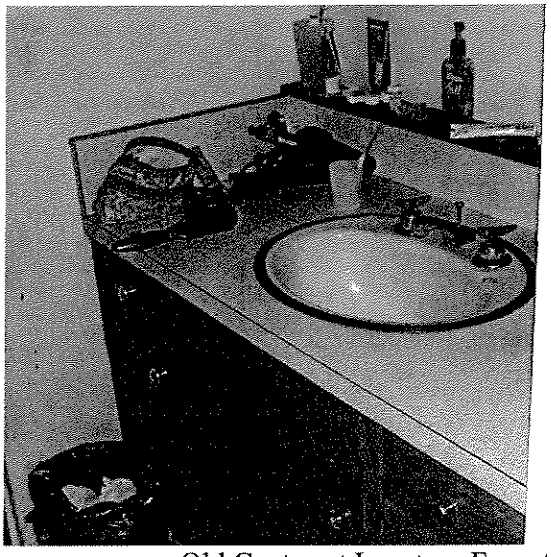
The plumbing fixture condition varied throughout building. The fixtures do not meet ADA and the low flow requirements. Only Units 103 and 104 were visually inspected.

The water closets were regular flow tank type toilets. Tank cover did not match the tank size in Unit 103. Water closets are in fairly good condition aside from regular wear and tear.



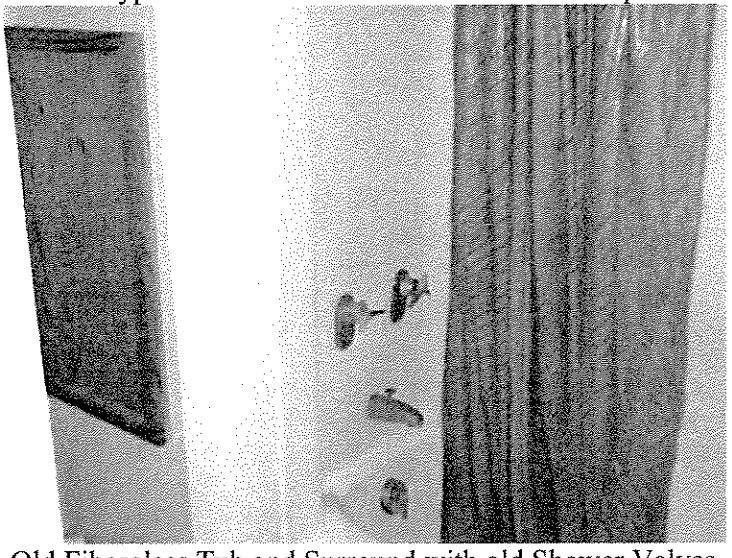
Tank Type Toilet with Oversize Tank Cover

The lavatories are the original fixtures. They are counter mounted with two handles. Fixture and trims are old and need cleaning, refinishing or replacement.



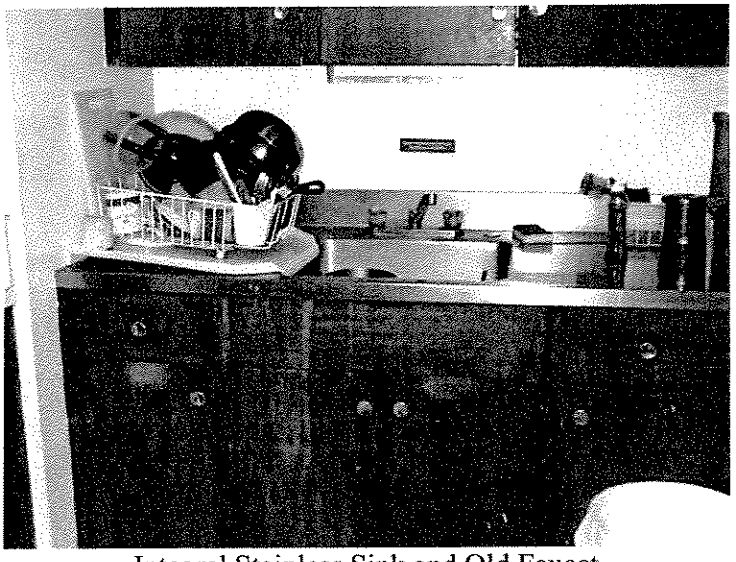
Old Centerset Lavatory Faucet

The tub/showers are constructed of fiberglass and of the one piece design. The shower faucet assembly is the two handle type. Tub/showers and trims need to be replaced.



Old Fiberglass Tub and Surround with old Shower Valves

Stainless steel sinks are integral with the stainless steel counter. The sink and counter are in fairly good condition. The faucet and drain fittings need to be replaced. The disposers are in good condition and are ISE Badger.



Integral Stainless Sink and Old Faucet

Plumbing Fixture Recommendations: The plumbing fixtures and trims are old therefore replace fixtures with new fixtures meeting low flow and safety requirements. The fixtures and trims should meet ADA requirements where required in the units.

The water closets are tank type and need to be replaced with low flow tank type water closet. If the building is going to be used as a rental apartment than the toilets should be replaced with a pressure flush tank instead of the gravity type. If the apartment is converted to condominium units than a good low flow gravity tank type toilets can be used.

The lavatories should be cleaned and refinished or replaced. The faucets drain and water supplies should be replaced. Single lever faucets with ceramic cartridges should be provided.

The tub/showers and shower valve and trim should be replaced. The shower valve and trims should be replaced with a pressure balancing valve with a high limit temperature setting and low flow shower heads and single lever handle. The pressure balancing valves are required to prevent shower scalding because of the central hot water heating system without a mixing valve.

The kitchen integral stainless steel sink and counter should be cleaned and polished. The faucets should be replaced with new low flow faucets.

FIRE PROTECTION SYSTEM

The building does not have an automatic fire sprinkler system. There are existing Class 1 fire hose cabinets with 5 lb fire extinguishers on each floor and located in the middle of each wing. Wet standpipe system was last inspected on June 2003.

There is a dry standpipe system in the North stairway. The dry standpipe fire department Siamese connection is located on the North exterior wall. The roof fire department connection on the roof is in fair condition.

Fire Dept Connection Corrosion at Base of Pipe

Fire Protection Recommendations: A flow test should be done on the wet standpipe system. The dry standpipe system shall be pressure tested. The fire extinguishers should be inspected.

LAUNDRY

The coin operated laundry has fourteen washers, eleven dryers and a laundry sink. Hot water is provided by the central hot water boilers. The dryers are vented through the roof and terminating with coned shape roof cap. There were visual problems with the mechanical systems for the Laundry.

GENERAL COMMENTS

The original design drawings were available. Basically the mechanical systems were installed per the design drawings. There were some indications of rerouting pipes because of repair and maintenance of the existing system. There is no roof drain system.

The inspection of the swimming pool and equipment was not included in the scope of the project.

The mechanical systems were visually observed to be fairly good condition and system were generally maintained in good condition. Due to the age of the building and the systems and the normal usage there will be future maintenance repairs that will be required. Because of technology, the existing systems, such as plumbing fixtures and faucets should be replaced because of the operating and maintenance cost.

Submitted By:

Arnaldo Prepose, P.E.
Prepose Engineering Systems, Inc.

EU
ERNEST M. UMEMOTO AIA
Architect, Inc.

May 23, 2004

Peter Savio, President
Hawaiian Island Development Co., Inc.
931 University Avenue, Suite 105
Honolulu, Hawaii 96826

1054 KALO STREET BUILDING CPR
ARCHITECTURAL OBSERVATION REPORT

The 1054 Kalo Street Building is a 4-story walk-up primarily occupied by university students. The ell-shaped building has three 4-BR units on a makai wing and three 4-BR units on an Ewa wing. Joining the wings is a 4-BR corner unit that is slightly larger and of a different layout. Each apartment unit has 4 bedrooms, kitchen & living room and 2 full baths.

The ground level is identical except apartment 101 (adjacent to the laundry and swimming pool has been partially modified to have 2 bedrooms and one bath sectioned off as a management office for the complex. It would be a simple effort to revert back to a basic 4-BR apartment.

The laundry room is adjacent to the sidewalk and very visible to neighborhood traffic so does attract the public. The laundry in an Apartment Zone cannot have a sign visible to the street and attract business as a commercial operation. Due to its public use ADA access from the sidewalk must be provided.

The corner property has landscaping along the street frontage to satisfy the front yard setback requirement. The rear and side yards also have open space to fulfill distance of wall openings to property line requirements. There is a gate on the makai-Diamond Head end but none on the makai-Ewa side. A CMU fence on the makai-Ewa corner was broken due to foundation failure. Electric meters on the Ewa side were severely rusted and with no service light may be dangerous if tampered by apartment occupants.

The swimming pool is an attractive nuisance easily accessed by climbing over the surrounding fence which goes as low as 4 feet high or jumping over the adjacent stair railing. The gate was not locked and not provided with a self-closing, self-locking hardware. There were no signs prohibiting diving or warning of a lack of lifeguard. In

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EXHIBIT 7

fact, no pool rules were posted at all. The deck was cracked and is a tripping and slipping hazard.

The furnished plans showed 30 parking stalls, but actual use is diminished by propane storage tank and trash dumpster in the Varsity Place/Kalo Place corner. One loading stall is required.

The recreation area in the corner has some stepping stones that could be a tripping hazard.

The laundry has no smoke detector or fire extinguisher. An outlet in the mauka/Koko Head side is not GFIC as is required within 4 feet of a washer. There is a laundry vent upwind from a bedroom window, necessitating lint filter on the exhausts. The laundry room ceiling is damaged.

Sentricon termite bait system installed. Termite damage noted on door frame. Continual termite inspection and treatment required.

Paint on the walkway soffit needs repair. Cracks on railing show no horizontal joint reinforcing. More cracks will occur due to structural weakness. Protective coating treatment on the walkway railing must be maintained so that spalling will not occur. Cracks in the sidewalks also need to be repaired before water rust affects the steel reinforcing causing spalling and major structural failure.

Stair guardrails are larger than the present Code requirement of 4". The 6" opening found could let a small child slip through. The handrails are too low and the stairs riser and tread variation exceeds what is allowable. Stair railings do not extend beyond the last riser to the extent required by Code.

The upper floor walkways have guardrails that should be 1-1/2" higher than the 3'-4-1/2" present guardrails. Door thresholds are over ½". Rainwater ponds in the walkway because the drain holes are too high. Maintenance is required to prevent slippery algae from forming on the walkways. The guardrails have cracks on top that required repair. This is such a major problem that a new guardrail top rail at the proper height of 3'-6" high should be done throughout the building.

Fire hose cabinets are rusted. Fire extinguisher not visible. Local fire alarm only. No exit signs. The rooms did not have smoke detectors. This is a major discrepancy. Hard wired (not battery, because occupants do not reliably replace the batteries) smoke detectors should be installed inside each bedroom door and one in the hallway serving any bedroom.

The laundry roof ponds in the middle. Access to the main roof is locked, as it should be, but the cover is worn and too heavy, necessitating replacement. The main roof also shows signs of ponding. Re-roofing is needed at flashing of wall coping. There is insufficient number of roof drains and at the next re-roofing, scuppers should be added.

The major problem with the typical apartment unit is the lack of UL-approved smoke detectors. Any water source within 6 feet of a convenience outlet will require GFIC outlets. None were seen and should be installed at the time the smoke detectors are installed. The plastic laminate behind the range is required. Metal hoods must be added above the range if wall cabinets exist.

There were no handicap units. With 24 rooms total, one accessible room is required. The obvious location would be Apartment 101, reducing it to a 3BR unit with expanded bathroom and a small storage room where the adjacent corner bedroom exists. This apartment must be provided with:

1) An accessible route from the sidewalk.
2) An accessible route from a van-accessible parking stall.
3) An accessible threshold at the entry door. Possibly a ramp at the small storage room, making it an entrance foyer may be the only solution to handle the sidewalk-room elevation difference.
4) Entrance door hardware change.
5) ADA-compliant bathroom. A roll-in shower though not required, may be the easier way to design the entire bathroom.
6) Toilet, lavatory counter, mirror, grab bars, tub or shower seat, storage.
7) Alarms, signage, visual alarms, notification devices and telephone with volume control.
8) Maneuvering space within bathroom.
9) Interior doors, lever hardware, accessible hallways.
10) Accessible kitchen and dining room.
11) Furnishing in the living area that allows maneuverable space.
12) Accessible electrical convenience outlets.
13) Accessible light switches.
14) Slide-type switch for night stand light fixture.

Previously mentioned, the laundry has public accommodation requirements. If any other room is open to visitors or the public in general, they too must be accessible. The CPR Apartments, if private residence, need not meet ADA requirements. If they are rented out as transient lodging, they must meet the same ADA requirements on a roughly 1 per 25 units basis.

Two parking stalls must be accessible. Since one must be van accessible the best design is to have both stalls on the side of a common 8 feet wide access aisle. Proper signs are required. An accessible route to the laundry and walkway fronting the ground level accessible unit must be provided. In both cases, a ramp seems to be required.

The bedroom windows do not meet the maximum sill height requirement of 44 inches being 5 inches too high.

No mold, and toxic environmental conditions were noted or tested, however, building facility management oversight on these matters must be continual and in depth.

As buildings age, the operation and maintenance cost increases. A preventive maintenance program reduces life cycle cost as compared to repairs on breakdown and also keeps building system outages at a minimum. Building facility management should do a cost analysis study of critical components such as roofing, protective coating, weatherproofing, and power capacity.

New Building Code, Energy Code, and Zoning requirements will impact future Building Permit Application. Parking will be the biggest factor impacting changes.

The apartment complex works well for its present use where tenants are almost exclusively college students. The four bedroom layout is very generous in size and privacy. College student hours for classes, socializing and studying may not fit in well with families with many children(four bedrooms would attract families with 2 or more children). There are no play areas for children less the center landscaped yard which is too close to the adjacent unit for noisy activities.

The building is well maintained and will continue to perform well with proper maintenance and repair. The roof, pool, walkway guardrail, fire escape and fire detection concerns mentioned in the report must be addressed. Usually older buildings are not designed to accommodate private washer, dryer, dishwasher and room air conditioners. More and brighter site lighting would add to security of the complex.

Respectfully submitted,

Ernest M. Umemoto, AIA