

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer FREDERICK J. LUNING and SHERILYNN W. LUNING
Address P. O. Box 27062, Honolulu, Hawaii 96827

Project Name(*): 1306 & 1306A ARTESIAN STREET
Address: 1306/1306A Artesian Street, Honolulu, Hawaii 96826

Registration No. 5463 (Conversion) Effective date: October 14, 2004 Expiration date: November 14, 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.
FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
SUPPLEMENTARY: (pink) This report updates information contained in the:
And [] Supersedes all prior public reports.

(* Exactly as named in the Declaration

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

FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

SPECIAL ATTENTION

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

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

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

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Frederick J. Luning and Sherilynn W. Luning Phone: (808) 523-1880
Name* (Residence)
P. O. Box 27062
Business Address
Honolulu, Hawaii 96827

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):

N/A

Real Estate Broker*: None, see page 20 Phone: _____
Name (Business)
Business Address

Escrow: First Hawaii Title Corporation Phone: (808) 487-1595
Name (Business)
98-211 Pali Momi Street, Suite 600
Business Address
Aiea, Hawaii 96701

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

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

Attorney for Developer: Anders G. O. Nervell, Esq. Phone: (808) 535-8400
Name (Business)
Stanton Clay Chapman Crumpton & Iwamura
700 Bishop Street, Suite 2100
Business Address
Honolulu, Hawaii 96813

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

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

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

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

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2004-165764
Book _____ Page _____
 Filed - Land Court: Document No. _____

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

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

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. 3821
 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]: NA

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

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2004-165765
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]: NA

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

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

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

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>100%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u>Board of Directors</u>

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

2. **Developer:**

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

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

1. To grant easements for utility easements (see paragraph 7.5 of the Declaration).
2. To amend the Declaration by filing an "as built" certificate (see paragraph 20.1 of the Declaration).
3. To amend the Declaration to comply with the requirements imposed by law, title insurers, lenders, etc. (see paragraph 20.2 of the Declaration).
4. To amend the By-Laws to comply with the requirements of any federal or State governmental agency (see Section 10.2(a) of the By-Laws).

III. THE CONDOMINIUM PROJECT

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

- Fee Simple:** Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- Leasehold or Sub-leasehold:** Individual apartments and the common elements, which include the underlying land will be leasehold.

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

For Sub-leaseholds:

- Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is: Canceled Foreclosed
- As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the 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: 1306/1306A Artesian Street Tax Map Key (TMK): (1) 2-8-10-32
Honolulu, Hawaii 96826

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

Land Area: 5,000 square feet acre(s) Zoning: R-5

Fee Owner: Frederick J. Luning and Sherilynn W. Luning
 Name
P. O. Box 27062
 Address
Honolulu, Hawaii 96827

Lessor: N/A
 Name
 Address

C. Buildings and Other Improvements:

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

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

Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other allied building material

4. Uses Permitted by Zoning

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>1</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Ohana	<u>1</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?

Yes No

5. Special Use Restrictions:

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

- Pets: See Article X, Section 10.7 of By-Laws (No pets allowed in the project, except that certified guide dogs, service animals, signal dogs and other animals specially trained to assist handicapped individuals shall be permitted)
- Number of Occupants: _____
- Other: _____
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: none Stairways: 1 (Unit 1306A) Trash Chutes: none

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
<u>SEE EXHIBIT "A"</u>	<u>"A"</u>	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 2

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

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

Boundaries of Each Apartment: SEE EXHIBIT "B".

Permitted Alterations to Apartments:

Subject to restrictions in the Declaration and the By-Laws, an apartment owner may make additions to or alterations of his or her apartment or limited common elements appurtenant to such apartment. Furthermore, handicapped occupants may make reasonable modifications to their apartments, the limited common elements appurtenant thereto, and/or the common elements, at their own expense.

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

7. Parking Stalls:

Total Parking Stalls: 4

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	<u>2</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>4</u>
Guest	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unassigned	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Extra for Purchase	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other: _____	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Covered & Open:	<u>4</u>	<u> </u>	<u>0</u>	<u> </u>	<u>0</u>	<u> </u>	<u>4</u>

Each apartment will have the exclusive use of at least 2 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

- Commercial parking garage permitted in condominium project.
- Exhibit: _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

- There are no recreational or common facilities.
- Swimming pool Storage Area Recreation Area
- Laundry Area Tennis Court Trash Chute/Enclosure(s)
- Other: Carport

9. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations SEE EXHIBIT "C"

- 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 "D"

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted. SEE EXHIBIT "C"

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

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

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

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u> X </u>	<u> </u>	<u> </u>
Structures	<u> X </u>	<u> </u>	<u> </u>
Lot	<u> X </u>	<u> </u>	<u> </u>

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

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

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

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

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

described in Exhibit "E .

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit "F".

as follows:

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

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

described in Exhibit _____.

as follows: The percentage of common interest appurtenant to each apartment in the Project is 50%.

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

Exhibit "G" describes the encumbrances against the title contained in the title report dated July 14, 2004 and issued by First Hawaii Title Corporation.

Blanket Liens:

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

- There are no blanket liens affecting title to the individual apartments.
- There are blanket liens which may affect title to the individual apartments.

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage	Buyer's interest is subordinate to mortgagee's and is subject to termination. Buyer is entitled to return of any deposits paid, 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: None. Units to be conveyed "as is". Developer is not making any warranties on the materials and workmanship of the Units.

2. Appliances: None. Appliances sold "as is".

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

The two-story building was constructed in 1984.

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
- 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 "H"* contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

*Note: Developer has not conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

C. **Utility Charges for Apartments:**

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

- None* Electricity (_____ Common Elements only _____ Common Elements & Apartments)
- Gas (_____ Common Elements only _____ Common Elements & Apartments)
- Water Sewer Television Cable
- Other _____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit _____ contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated September 8, 2004
Exhibit "I" contains a summary of the pertinent provisions of the escrow agreement.
- Other Developer plans to sell the apartments in project, but is not prepared to make any current offerings of sale; however, when the Developer begins selling or offers to sell, then the standard Realtor's form of Deposit Receipt Offer and Acceptance (DROA) will be used.

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

- A) The Developer delivers to the buyer a copy of:
 - 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
 - 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
- B) The buyer is given an opportunity to read the report(s); **AND**
- C) One of the following has occurred:
 - 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

- A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**
- B) The buyer has not waived the right to rescind.

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime, as amended.
 - C) Bylaws of the Association of Apartment Owners, as amended.
 - D) House Rules, if any.
 - E) Condominium Map, as amended.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's 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. 5463 filed with the Real Estate Commission on September 10, 2004.

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

YELLOW paper stock WHITE paper stock PINK paper stock

C. Additional Information Not Covered Above

Disclosure Regarding Selection of Real Estate Broker. The Developer plans to sell the apartments in the project, but is not prepared to make any current offerings of sale. When the Developer begins selling or offers to sell, the Developer will use a real estate broker for the sale of an apartment. Prior to entering into a binding contract for such sale, the Developer shall (1) submit to the Real Estate Commission a duly executed copy of a broker listing agreement with a Hawaii-licensed real estate broker, together with a duly executed disclosure abstract identifying the designated broker, and (2) provide a copy of the disclosure abstract to the purchaser together with a copy of the this Public Report.

Disclosure Regarding Real Estate Licensee. Developer, Frederick J. Luning, RS-31135, is an active Hawaii licensed real estate sales person with Dower Realty, Inc., RB-14519.

Compliance with Section 521-38, HRS. The two units in the project are presently rented. When the Developer begins selling or offers to sell, the Developer will provide the tenant with written notice at least one hundred twenty (120) days in advance of the termination of the rental agreement.

Additional Documents to be Submitted Prior to Sale of Unit. When the Developer begins selling or offers to sell, the Developer shall submit the following documents to the Real Estate Commission prior to entering into a binding contract for such sale:

- 1) Executed copy of broker listing agreement and executed disclosure abstract identifying the designated broker ;
- 2) Specimen form of sales contract, together with a summary of pertinent provisions of the sales contract; and
- 3) Specimen copy of notice to existing tenants regarding termination of rental agreement.

Developer shall provide the purchaser with a summary of pertinent provisions of the sales contract together with a copy of this report.

Reserves. Developer discloses that no "reserve study" was done in accordance with Section 514A-83.6, Hawaii Revised Statutes, and replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Disclosure Regarding "AS-IS" Sale. The two apartments will be conveyed in their present "as is" condition. Potential buyers are strongly urged to have a professional home inspection to ascertain the exact condition of the property.

Ohana Unit. Unit 1306 is an ohana unit. In the event that the ohana unit is destroyed by any means, a zoning adjustment is required to rebuild the unit. Section 21-2.140-1 of the Land Use Ordinance provides in part that:

Sec. 21-2.140-1 Specific circumstances.

The director may grant an adjustment from the requirements of this chapter under the following circumstances:

(i) Ohana (Accessory) Dwellings.

(1) Rebuilding. Any ohana dwelling unit that is destroyed by any means to the extent of more than 50 percent of the unit's replacement value may be rebuilt to its previously existing dwelling type under the following conditions:

(A) It can be demonstrated that the ohana dwelling unit was legally constructed.

(B) It can be demonstrated that the replacement ohana dwelling unit will meet all current underlying district standards including but not limited to height limits, required yards and setbacks, maximum building area and parking.

(C) Any ohana dwelling unit rebuilt under the provisions of this subdivision (1) shall not be expanded to increase the floor area beyond the larger of:

(i) The floor area shown on approved building plans prior to its destruction; or

(ii) The current maximum floor area for ohana dwellings in the applicable residential zoning district.

- 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 section 514A-1.6 (The developer is required to make this declaration for issuance of an effective date for a 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.

FREDERICK J. LUNING and SHERILYNN W. LUNING
 Print Name of Developer

By: *Frederick J. Luning*
 FREDERICK J. LUNING

July 31, 2004
 Date

By: *Sherilyn W. Luning*
 SHERILYNN W. LUNING

July 31, 2004
 Date

Distribution:

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

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

EXHIBIT "A"

Description of Apartments

There are two (2) condominium apartments in the Project. Each of the two (2) residential dwellings contains one (1) condominium apartment. The apartments are referred to as "Units" on the Condominium Map, and are more particularly described below:

1. Unit 1306. Unit 1306 contains five (5) bedrooms, three (3) bathrooms, a living room, and a kitchen, with a net living area of approximately 1,584 square feet.

2. Unit 1306A. Unit 1306A contains four (4) bedrooms, three (3) bathrooms, a family room, a recreation room, a kitchen, and a wet bar area, with a total net living area of approximately 1,958.5 square feet (49.5 square feet on the first floor, and 1,909 square feet on the second floor). Unit 1306A also has an appurtenant deck area with a floor area of approximately 466 square feet.

END OF EXHIBIT "A"

EXHIBIT "B"

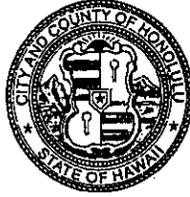
Boundaries of Each Apartment

The respective Units shall not be deemed to include: (1) the undecorated or unfinished interior surfaces of the perimeter or party walls, (2) the undecorated or unfinished surfaces of interior load-bearing walls, (3) the undecorated or unfinished surfaces of floors and ceilings surrounding each Unit, or (4) any pipes, shafts, wires, ducts, pumps, cables, conduits, or other utility or service lines running through such Unit which are utilized for or serve more than one Unit, the same being deemed common elements as hereinafter provided. Each Unit shall be deemed to include: (1) all walls and partitions which are not load-bearing within its perimeter or party walls, (2) all pipes, shafts, wires, ducts, pumps, cables, conduits, or other utility or service lines running through such Unit which are utilized for or serve only that Unit, (3) the inner decorated or finished surfaces of all walls, floors, and ceilings, (4) all doors and door frames, windows (including but not limited to sliding glass doors, windows, panes, jalousies, or panels along the perimeters) and window frames, and (5) all fixtures, appliances, built-in cabinets, carpets and floor coverings, and furnishings installed therein.

END OF EXHIBIT "B"

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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



JEREMY HARRIS
MAYOR

ERIC G. CRISPIN, AIA
DIRECTOR

BARBARA KIM STANTON
DEPUTY DIRECTOR

KATHY SOKUGAWA
ACTING DEPUTY DIRECTOR

2003/ELOG-3728(E)

April 1, 2004

Mr. Anders G. O. Nervell
Attorney at Law
Topa Financial Center
Bishop Street Tower
700 Bishop Street, Suite 2100
Honolulu, Hawaii 96813

Dear Mr. Nervell:

Subject: Condominium Conversion Project
1306 and 1306A Artesian Street
Tax Map Key: 2-8-10: 32

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

Investigation revealed that the two-story two-family detached dwelling, one of which is an ohana unit, with four all-weather surface off-street parking spaces met all applicable code requirements when it was constructed in 1984 on this 5,000-square foot R-5 Residential District zoned lot.

Investigation also revealed that there were no additional ohana restrictions when the permit was issued. However, in the event that the ohana dwelling is destroyed by any means, a zoning adjustment is required for rebuilding an ohana dwelling.

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

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

EXHIBIT "C"

Mr. Anders G. O. Nervell
April 1, 2004
Page 2

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

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

Sincerely yours,


ERIC G. CRISPIN, AIA
Director of Planning and Permitting

EGC:ft
Doc 289597

July 31, 2004

Mr. Frederick J. Luning
Mrs. Sherilynn W. Luning
P. O. Box 27062
Honolulu, Hawaii 96827

Re: Condominium Conversion Project
Owners: Frederick J. Luning & Sherilynn W. Luning
Address: 1306/1306A Artesian Street
Honolulu, Hawaii 96826
TMK No.: (1) 2-8-10-32

Dear Mr. and Mrs. Luning:

Pursuant to your instructions, a visual inspection was made of the two-story two-family detached dwelling located at 1306/1306A Artesian Street, Honolulu, Hawaii, which structure contains Unit 1306 and Unit 1306A of the proposed 1306 & 1306A Artesian Street condominium project. The purpose of the inspection was to examine and comment on the present state of the building and the units therein. The following describes my assessment of the present condition of the building and the units therein:

Unit 1306.

1. The structure appears to be in good condition. The unit is habitable and appears to be free from major structural defects.
2. The electrical and plumbing systems appear to be functioning properly and seem to be in good condition.
3. The expected useful life is estimated to be between 20 and 30 years.

Unit 1306A.

1. The structure appears to be in good condition. The unit is habitable and appears to be free from major structural defects.
2. The electrical and plumbing systems appear to be functioning properly

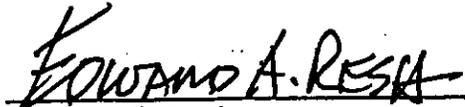
EXHIBIT " D "

and seem to be in good condition.

3. The expected useful life is estimated to be between 20 and 30 years.

CONCLUSION: At the present time, the building and the units therein are in good condition with no major structural defects.

Very truly yours,

A handwritten signature in black ink that reads "Edward A. Resh". The signature is written in a cursive style and is positioned above a horizontal line.

Edward A. Resh,
Licensed Professional Architect
No. 3239

EXHIBIT "E"

Description of Common Elements

The common elements include the following located within the Project:

1. All the land described in Exhibit "A" attached hereto and made a part hereof;
2. The laundry area located on the first floor of the Building, and having a floor area of approximately 53.6 square feet, as shown on the Condominium Map;
3. The 632 square feet carport as shown on the Condominium Map;
4. All structural components of the Building such as foundations, floor slabs, columns, girders, beams, supports, unfinished perimeter, party and load-bearing walls, and roofs;
5. All pipes, cables, conduits, ducts, electrical equipment, wiring, and other central and appurtenant transmission facilities and installations over, under, and across the Project which serve more than one apartment for services such as power, light, gas, water, sewer, telephone, and television signal distribution;
6. All yards, grounds, walkways, landscaping, and trash collection area;
7. All walls and fences, except the walls and fences surrounding the Private Yard Areas, the same being deemed limited common elements as hereinafter provided; and
8. Any and all other apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use.

END OF EXHIBIT "E"

EXHIBIT "F"

Description of Limited Common Elements

1. That portion of land outside the entry area to Unit 1306 (including any yard areas, landscaping, walkways, and fences and walls surrounding said portion of land), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit 1306. Said portion of land is referred to in the Declaration as the Private Yard Area, and the Private Yard Area for Unit 1306 contains an area of 477 square feet.

2. That portion of land outside the entry area to Unit 1306A (including any yard areas, landscaping, walkways, barbeque pit area, and fences and walls surrounding said portion of land), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit 1306A. Said portion of land is referred to in the Declaration as the Private Yard Area, and the Private Yard Area for Unit 1306A contains an area of 926 square feet.

3. The lanai adjoining Unit 1306A, including the railings surrounding said lanai, together with the stairway providing access to said lanai, shall be appurtenant to and for the exclusive use of Unit 1306A;

4. The four (4) parking stalls located within the common element carport as shown on the Condominium Map;

5. One (1) mailbox bearing the same number as each Unit; and

6. Any other common element of the Project which is rationally related to fewer than all of the Units shall be deemed a limited common element appurtenant to and for the exclusive use of such Unit to which it is rationally related.

END OF EXHIBIT "F"

EXHIBIT "G"

List of Encumbrances Against Title

Encumbrances against the title as contained in the Commitment for Title Insurance dated July 14, 2004, and issued by First Hawaii Title Corporation are as follows:

1. Real property taxes due and payable. For more information contact the City and County of Honolulu, Department of Finance, Real Property Tax Assessment.
2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Rights of those entitled thereto to the use of the water from the artesian well on said premises; together with the right to lay, maintain and repair pipelines to said well, as contained in that certain Deed dated May 23, 1900, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 210, Page 7.
4. Affidavit dated June 28, 1985, recorded in said Bureau of Conveyances in Liber 18749, Page 233; re. building permit.
5. Mortgage dated June 23, 2004 in favor of Mortgage Electronic Registration Systems, Inc., organized and existing under the laws of Delaware, recorded in said Bureau of Conveyances as Document No. 2004-131493.
6. Condominium Map No. 3821 filed in said Bureau of Conveyances.
7. Declaration of Condominium Property Regime dated July 31, 2004, recorded in said Bureau of Conveyances as Document No. 2004-165764.
8. By-Laws of the Association of Apartment Owners dated July 31, 2004, recorded in said Bureau of Conveyances as Document No. 2004-165765.
9. The existence of any and all encroachments of any type or any other facts which a survey of the land herein described would disclose, and which are not shown by the public records.

END OF EXHIBIT "G"

EXHIBIT "H"

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee x 12 months =</u>	<u>Yearly Total</u>
Unit 1306	\$461.00	\$5,532.00
Unit 1306A	\$461.00	\$5,532.00

No reserve study done in accordance with Section 514A-83.6, Hawaii Revised Statutes.

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

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services

Air Conditioning	\$	0.00	\$	0.00
Electricity				
[] common elements only		0.00		0.00
[] common elements and apartments		0.00		0.00
Elevator		0.00		0.00
Gas				
[] common elements only		0.00		0.00
[] common elements and apartments		0.00		0.00
Refuse Collection		0.00		0.00
Telephone		0.00		0.00
Water and Sewer		0.00		0.00

Maintenance, Repairs and Supplies

Building		150.00		1,800.00
Grounds		30.00		360.00

Management

Management Fee		100.00		1,200.00
Payroll and Payroll Taxes		0.00		0.00
Office Expenses		0.00		0.00

Insurance

Property Insurance		42.00		504.00
Liability Insurance		250.00		3,000.00
Hurricane Coverage		150.00		1,800.00

Reserves(*)		100.00		1,200.00
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Taxes and Government Assessments		0.00		0.00
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Audit Fees		0.00		0.00
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Other		<u>100.00</u>		<u>1,200.00</u>
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TOTAL		\$922.00		\$11,064.00
Per Apartment		\$461.00		\$5,532.00

We, FREDERICK J. LUNING and SHERILYNN W. LUNING the developer for the 1306 & 1306A Artesian Street condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Frederick J. Luning July 31, 2004
Signature Date

Sherilyn W. Luning July 31, 2004
Signature Date

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

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

EXHIBIT "I"

Summary of Pertinent Provisions of Escrow Agreement

The following is a summary of the Escrow Agreement dated September 8, 2004, entered into by and between FREDERICK J. LUNING and SHERILYNN W. LUNING, husband and wife ("Seller"), and FIRST HAWAII TITLE CORPORATION, a Hawaii corporation ("Escrow").

The escrow agreement establishes an arrangement under which the deposits a buyer makes under a Deposit, Receipt, Offer and Acceptance ("sales contract") will be held by a neutral party (i.e., Escrow). Under the escrow agreement these things will or may happen:

- (a) Signed copies of the sales contract will be provided to Escrow.
- (b) Escrow will collect payments due pursuant to the sales contract.
- (c) Seller will notify Escrow who in turn will notify buyer when payments are due.
- (d) Escrow will accept buyer's payments pursuant to the sales contract and will hold the funds or make payments according to the escrow agreement.
- (e) The escrow agreement states under what conditions escrow will disburse buyer's funds. Escrow will disburse upon receipt of the following:
 - 1. the conveyance document;
 - 2. all necessary releases of encumbrances;
 - 3. the full amount of the purchase price;
 - 4. any mortgage or other instrument securing payment; and
 - 5. purchaser's share of the closing costs.
- (f) Under the escrow agreement buyer shall be entitled to a refund, if buyer makes a written request for a refund and Escrow has received a written request from Seller to return buyer's funds. In addition, by law, (under Sections 514A-62 and 63, Hawaii Revised Statutes) buyer has a right to rescind a sales contract.
- (g) The escrow agreement states what will happen to a buyer's funds upon default under the sales contract. Seller is required to certify to Escrow in writing that buyer defaults and that Seller is terminating the contract. Escrow will notify buyer by certified mail that Seller has cancelled contract. Escrow will treat the buyer's funds as belonging to the Seller subject to the provisions relating to dispute and conflicting demands.

(h) Escrow will coordinate and supervise the signing of all necessary documents.

(i) The escrow agreement sets forth Escrow's responsibilities in the event of any disputes.

THE ESCROW AGREEMENT CONTAINS VARIOUS OTHER PROVISIONS AND ESTABLISHES CERTAIN CHARGES WITH WHICH THE PURCHASER SHOULD BECOME ACQUAINTED. THE INFORMATION CONTAINED HEREIN IS ONLY A SUMMARY OF THE TERMS OF THE AGREEMENT. FOR MORE DETAILED INFORMATION, YOU MUST SECURE A COPY OF THE AGREEMENT AND READ IT THOROUGHLY.

END OF EXHIBIT "I"