

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Ala Wai Watermark Development, LLC
Address 1551 Ala Wai Boulevard, Honolulu, Hawaii 96815
Project Name (*): THE WATERMARK
Address: 1551 Ala Wai Boulevard, Honolulu, Hawaii 96815

Registration No. 5672

Effective date: June 5, 2006

Expiration date: July 5, 2007

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

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

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

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

Type of Report:

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

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

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

And [] 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.

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:

1. the Declaration of Condominium Property Regime of The Watermark dated August 15, 2005, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii ("Land Court") as Document No. 3317978 and recorded in the Bureau of Conveyances of the State of Hawaii ("Bureau") as Document No. 2005-169603, was amended by that certain Amendment to Declaration of Condominium Property Regime The Watermark dated April 25, 2006, filed in Land Court as Document No. 3425305 and in the Bureau recorded as Document No. 2006-085243 to: (i) correct typographical errors in Article IV, Article XXXIII, Section B.2.d., Article XXXI, Section A., Article II, Section B.4., Article XXIV, and Article XXXI.D.4.; (ii) amend Article VII to reflect the new name of the law firm as the agent for the service of process; (iii) amend Exhibit "B-2" (Apartment Layouts) to reflect apartment types "PH.1" and "PH.2" are finished areas, which will not affect the common percentage interest for any Apartments in the Project; (iv) to amend Exhibit "B-2" (Apartment Layouts) to show the new lanai area square footages for the Apartments, which will not affect the common percentage interest for any Apartments in the Project; (v) add a new Exhibit "B-3" ("Parking Matrix") to reflect the parking stalls designated and assigned to each Apartment; (vi) show that planters, which are located on the outside of the lanais of certain Apartments, are part of the common elements; (vii) to clarify that Article XXVIII of the Declaration shall permit the Developer to retrofit guest parking stalls and any parking stall within Developer's control, by virtue of Developer's ownership of an Apartment or otherwise, so they are suited for use by persons with disabilities to comply with the Americans with Disabilities Act, as amended, 42 U.S.C. §§ 12101 et seq.; and (viii) amend Exhibit "A" (Property Description) to conform to the most recent Title Report dated April 13, 2006 for the Project prepared by Title Guaranty of Hawaii, Inc.;
2. the Bylaws of the Association of Apartment Owners of The Watermark dated August 15, 2005, filed in Land Court as Document No. 3317979 and recorded in the Bureau as Document No. 2005-169604, was amended by that certain Amendment to the Bylaws of the Association of Apartment Owners of The Watermark dated April 25, 2006, filed in Land Court as Document No. 3432717 and recorded in the Bureau as Document No. 2006-097537 to: (i) correct typographical errors throughout the entire Bylaws; (ii) include a provision regarding pets to state that only dogs, cats or typical household pets may be kept in the Apartments, which said pets policy is limited to the restrictions contained in the Bylaws and House Rules, except for fish no more than 2 pets shall be allowed per apartment, no pet may exceed 100 lbs in weight each, and the Board shall have the sole discretion to determine which breed of pets may be allowed to be kept; (iii) clarify the number of directors on the Board of Directors for the Association of Apartment Owners of The Watermark to comply with HRS § 514A; and (iv) clarify that volunteer apartment owners' committee may propose bylaws amendments to comply with HRS § 514A; and (v) amend Exhibit "A" (Property Description) to conform to the most recent Title Report dated April 13, 2006 for the Project prepared by Title Guaranty of Hawaii, Inc.;
3. the Condominium Map was amended by the Amendment to Condominium Map for The Watermark dated April 25, 2006, filed in the Land Court as Document No. 3425306 and recorded in the Bureau as Document No. 2006-085244 to show that the Condominium Map has been amended by substituting the replacement pages T-1, T-2, CPR-1, CPR-2, CPR-3, CPR-4, CPR-5, CPR-6, CPR-7, CPR-8, CPR-9, CPR-10, CPR-11, CPR-12, CPR-13, CPR-14, CPR-15, CPR-16, CPR-17 and CPR-18, specifically to (i) reflect modifications to the Project to conform to the construction plans for the Project; (ii) to show the new lanai area square footages for the Apartments, which will not affect the common percentage interest for any Apartments in the Project; and (iii) to show the location of planters in the Project;
4. the Rules and Regulations of the Association of Apartment Owners of The Watermark (House Rules) dated August 15, 2005 was amended by Amended Rules and Regulations of the Association of Apartment Owners of The Watermark (House Rules) dated April 25, 2006 to: (i) correct typographical errors; (ii) clarify the provision regarding pets to state that only dogs, cats or typical household pets may be kept in the Apartments, which said pets policy is limited to the restrictions contained in the Bylaws and House Rules, except for fish no more than 2

pets shall be allowed per apartment, no pet may exceed 100 lbs in weight each, and the Board shall have the sole discretion to determine which breed of pets may be allowed to be kept; (iii) provide that planters, which are located on the outside of the lanais of certain Apartments are common areas and part of the Project's landscaping; and (iv) provide that window coverings and materials may only be in a white or off-white color and tone;

5. Paragraph III.C.5. was revised to note that the Pets provisions are found in Article V, Section 3. of the Bylaws and Section I.3 of the House Rules;

6. Paragraph I. was revised to update the new name of the law firm for the attorney for the Developer;

7. Paragraph I. was revised to note that Nick Buchanan is the Vice-President of Ala Wai Management, LLC, Manager of Ala Wai Associates, LLC, the Manager of Ala Wai Watermark Development, LLC, the Developer;

8. Exhibit "G" attached hereto entitled "Encumbrances Against Title" was updated to conform to the most recent Title Report dated April 13, 2006 for the Project prepared by Title Guaranty of Hawaii, Inc.;

9. Paragraph V.C.4 was revised to reference the proper provision of the Declaration when referring to easement rights for the use of an access to Parcel 37 Parking Area under Section IV.D. of the Declaration so long as the Joint Development Agreement is effective;

10. Exhibit "A" attached hereto entitled "Rights Reserved by Developer" referring to Reserved Right to Amend Bylaws was revised to correctly state that the reserved right to amend Bylaws is set forth in Article X, Section 14. of the Bylaws and to clarify that Article XXVIII permits Developer to retrofit guest parking stalls and any parking stall within Developer's control, by virtue of Developer's ownership of an Apartment or otherwise, so they are suited for use by persons with disabilities to comply with the Americans With Disabilities Act, as amended, 42 U.S.C. §§12101 et seq.;

11. Exhibit "I" attached hereto entitled "Summary of Purchase Agreement" has been updated as follows: (i) Paragraph K was revised to delete the reference that Apartments PH.1 and PH.2 are being sold in loft condition only; (ii) Paragraph R was revised to state that Seller's lender may require that forty percent (40%) of the apartments in the Project (85 apartments) be sold prior to either closing the loan or disbursing proceeds for construction purposes; and (iii) to correct typographical errors. The Specimen Purchase Agreement for 100+ units was revised to reflect these changes;

12. Exhibit "H" attached hereto entitled "Estimated Annual Common Expense" has been updated to include the most recent estimated Annual Common Expense;

13. Paragraph IV.B. was revised to clarify the methods by which the maintenance fees for the Project are estimated;

14. Paragraph III.G. was revised to state that the construction of the Project has commenced. The developer estimates that the project will be completed by or before February 2008;

15. a new Exhibit "B-3" entitled Parking Matrix is attached hereto to reflect the parking stalls designated and assigned to each Apartment;

16. Exhibit "E" attached hereto entitled "Common Elements" has been revised to show that planters are part of the common elements to satisfy the requirements of that certain Conditional Use Permit (Minor) 2004/CUP-44, Zoning Adjustment 2004/ZA-57, and Special District (Major) Permit 2004/SDD-76, issued by the City and County of Honolulu Department of Planning and Permitting;

17. Paragraph II.A. was revised to note that the Declaration of Condominium Property Regime of The Watermark was amended by an Amendment to Declaration of Condominium Property Regime of The Watermark dated April 25, 2006, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3425305 and recorded in the Bureau of Conveyances as Document No. 2006-085243;

18. Paragraph II.B. was revised to note that the Condominium Map for The Watermark was amended by an Amendment to Condominium Map for The Watermark dated April 25, 2006, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3425306 and recorded in the Bureau of Conveyances as Document No. 2006-085244;

19. Paragraph II.C. was revised to note that the Bylaws of the Association of Apartment Owners of The Watermark was amended by a Amendment to the Bylaws of the Association of Apartment Owners The Watermark dated April 25, 2006, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3432717 and recorded in the Bureau of Conveyances as Document No. 2006-097537;

20. Paragraph II.D. was revised to note that the Rules and Regulations of the Association of Apartment Owners of The Watermark (House Rules) dated August 15, 2005 was amended by the Amended Rules and Regulations of the Association of Apartment Owners of The Watermark (House Rules) dated April 25, 2006;

21. Paragraph III.B. was revised to note that the TMK for the Project is now (1) 2-6-11: 1 and 36 according to the most recent Title Report dated April 13, 2006 for the Project prepared by Title Guaranty of Hawaii, Inc.;

22. Paragraph III.C.7. was revised to note that Exhibits "B-3" and "F" contain additional information on parking stalls for this Project;

23. Paragraph III.E. was revised to note that Exhibit "G" is dated April 13, 2006;

24. Exhibit "K" attached hereto entitled "Summary of Deed Form" has been updated as follows: (i) a new Paragraph F was added to describe that Purchasers, for themselves, for their successors and assigns, for their family, lessees, tenants, servants, guests, invitees, licensees, employees, or other persons who may occupy or otherwise use the Project or the Apartment with their permission (hereinafter "all parties") will, at all times, observe, perform, comply with and abide by all of the covenants, agreements, obligations, conditions and other provisions set forth in the Declaration, the Bylaws, and the Deed, and the Purchaser covenants to indemnify, hold harmless and defend the Grantor for any failure to so comply with, observe and perform any such covenant, condition, restriction or other provision contained in that certain Declaration, the Bylaws, and/or the Deed; (ii) a new Paragraph G was added to describe that Purchasers, on behalf of on themselves and all parties, acknowledge and agree that the Declaration contains various reservations in favor of the "Declarant" (and the Grantor) under the foregoing declaration, as well as disclosures, covenants, undertakings, waivers of rights, disclaimers, limitations, requirements and restrictions, all of which are binding upon all owners of Apartments within the Project and which are detailed in the Declaration and include, but are not limited to: (a) specific provisions detailing and disclosing various adverse environmental hazards, conditions or circumstances, etc., which may affect the Project and the Apartment, and providing for the Purchaser's acceptance of the possibility of the occurrence of the same, assumption of the risk of such occurrence and damage attributable thereto, and the express waiver of all claims against the Grantor and others arising out of or in connection with such adverse conditions or circumstances, including the right to seek damages or the abatement or elimination thereof, and (b) specific provisions reserving by or on behalf of the Grantor, and/or others various rights and easements affecting the Project and the Apartment, and the Grantor the right to make specific grants thereof without joinder by the Purchaser or Purchaser's mortgagee; and (iii) a new Paragraph H was added to describe that Purchasers, on behalf of on themselves and all parties, agree that in the event Purchaser or any other person with an interest in the Project or the Property shall have any claim or cause of action arising out of or in any way related to this Apartment Deed, the Declaration (and any and all rules, regulations and Supplemental Declarations promulgated pursuant to the foregoing, and the enforcement thereof), the design, or orientation of the Apartment and related facilities as they relate to exposure to the sun, moisture, mold and/or wind and/or adjacent properties, the development, construction, quality, sales, marketing, disclosures concerning, financing, or delivery of the Project, all of which are incorporated herein by this reference, or any other aspect of or activity with respect to the Project or the Property (herein collectively the "Covered Matters"), against Grantor and/or any of the Covered Parties defined in the Declaration, such claim or cause of action (a "Dispute") whether such dispute is based on contract, tort, or statute, including, without limitation, any dispute described in the Declaration, whether such Dispute arises before or after the recording of this Apartment Deed, shall be resolved by binding, final arbitration in accordance with the Federal Arbitration Act (9 U.S.C. § 1, et seq.) now in effect and as the same may from time to time be amended, to the exclusion of any different or inconsistent state or local law, ordinance, regulation, or judicial rule, by and pursuant to the rules of Dispute Prevention and Resolution, Inc., or if not then in existence, the American Arbitration Association ("DPR") in accordance with its rules in effect at the time of the initiation of the arbitration (sometimes the "Arbitration" or "arbitration") after it shall have first been submitted to the process of "Negotiation" and "Mediation" defined in the Declaration, and not by a court of law. The Specimen Apartment Deed was revised to reflect these changes and for stylistic purposes; and

25. Exhibit "B-2" attached hereto entitled "Apartment Layouts" was revised to update the layout of the Apartment Type "PH.1" and Apartment Type "PH.2" unit because they will no longer be sold in loft condition and to set forth the new lanai area square footages for certain Apartments, which will not result in a change in the common interest percentages appurtenant to any of the Apartments in the Project.

Apt. No.	Lanai area as shown on condominium map submitted with contingent report	Lanai area as shown on condominium map submitted with final report
A-201	944	1011
A-601	78	89
A-3301	78	89
B-602	213	227
B-3802	215	216
BR-203	213	214
BR-603	213	227
BR-3403	213	214
BR-3803	215	216
C.1-504	202	221
C.1-3304	202	198
C.2-405	201	224
C.2-3305	201	213
C.3-3505	2a-524	2a-541
PH.1-3804	2a-547	2a-421
PH.2-3901	1d-300 / 2a-930	1d-302 / 2a-1,016

Pursuant to HRS § 514A-63(a), purchasers have the right of rescission of their sales contract if there is a material change in the condominium project which directly, substantially, and adversely affects the use or value of (1) such purchaser's apartment or appurtenant limited common elements, or (2) those amenities of the condominium project available for such purchaser's use. Purchasers, if any, of the above referenced Apartments in this paragraph will be given the right of rescission of their sales contract pursuant to HRS § 514A-63(a). Such Purchasers may exercise a right of cancellation by following the instructions in the Receipt for Public Report(s) and Notice of Right to Cancel.

NOTE: The foregoing determination was made solely by the Developer.

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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: Ala Wai Watermark Development, LLC Phone: (808) 543-6426
Name* (Business)
1551 Ala Wai Boulevard
Business Address
Honolulu, Hawaii 96815

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):

Keith Fernandez is the President and Nick Buchanan is the Vice-President of Ala Wai Management, LLC, Manager of Ala Wai Associates, LLC, the Manager of Ala Wai Watermark Development, LLC

Real Estate Broker*: Prudential Locations, LLC Phone: (808) 735-4200
Name (Business)
3465 Waialae Avenue, 4th Floor
Business Address
Honolulu, Hawaii 96816

Escrow Title Guaranty Escrow Services, Inc. Phone: (808) 521-0211
Name (Business)
235 Queen Street
Business Address
Honolulu, Hawaii 96813

General Contractor*: Hawaiian Dredging Construction Company Phone: (808) 735-3211
Name (Business)
614 Kapahulu Avenue
Business Address
Honolulu, Hawaii 96815

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

Attorney for Developer: Case, Lombardi & Pettit fka Case, Bigelow & Lombardi Phone: (808) 547-5400
Name (Business)
737 Bishop Street, 26th Floor, Mauka Tower
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. 2005-169603
Book _____ Page _____
 Filed - Land Court: Document No. 3317978

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]: 1) Amendment to Declaration of Condominium Property Regime of The Watermark dated September 19, 2005, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3329649 and recorded in the Bureau of Conveyances as Document No. 2005-191162; and 2) Amendment to Declaration of Condominium Property Regime The Watermark dated April 25, 2006, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3425305 and recorded in the Bureau of Conveyances as Document No. 2006-085243.

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. 4061
 Filed - Land Court Condo Map No. 1735

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]: 1) Amendment to Condominium Map for The Watermark dated September 19, 2005, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3329648 and recorded in the Bureau of Conveyances as Document No. 2005-191161; and 2) Amendment to Condominium Map for The Watermark dated April 25, 2006, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3425306 and recorded in the Bureau of Conveyances as Document No. 2006-085244.

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. 2005-169604
Book _____ Page _____
 Filed - Land Court: Document No. 3317979

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]: 1) Amendment to the Bylaws of the Association of Apartment Owners of The Watermark dated April 25, 2006, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3432717 and recorded in the Bureau of Conveyances as Document No. 2006-097537.

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

Rules and Regulations of the Association of Apartment Owners of The Watermark (House Rules) dated August 15, 2005 referred to above have been amended by the following instruments: 1) the Amended Rules and Regulations of the Association of Apartment Owners of The Watermark (House Rules) dated April 25, 2006.

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

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

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

See Exhibit "A"

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: 1551 Ala Wai Boulevard
Honolulu, Hawaii 96815

Tax Map Key (TMK): (1) 2-6-11: 1 and 36*
*See paragraph 1, page 20a of this report

[] Address [X] TMK is expected to change because individual CPR numbers may be issued for each apartment.

Land Area: 166,175 [X] square feet [] acre(s) Zoning: Waikiki Special District, Apartment Precinct

Fee Owner: Ala Wai Watermark Development, LLC
 Name
1551 Ala Wai Boulevard
 Address
Honolulu, Hawaii 96815

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: 3 Floors Per Building: Condo Tower: 38; Parking Structure: 6;
Fitness Center: 1

Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other: Glass, Aluminum

4. Uses Permitted by Zoning:

	No. of <u>Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>212</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Other (Office)	<u>1</u>	<input checked="" 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 V, Section 3. of the Bylaws and Section I.3 of the House Rules

Number of Occupants: _____

Other: See Section VI.A of the Declaration regarding limitations on home occupations and other prohibited non-residential uses

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Condominium Tower: Elevators: 3 Stairways: 2 Trash Chutes: 1
 Parking Structure: Elevators: 2 Stairways: 2 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
<u>See Exhibits "B-1" and "B-2"</u>					
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 213

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

7. Parking Stalls:

Total Parking Stalls: 454

	<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>225</u>	<u>6</u>	<u>192</u>	<u>8</u>	<u> </u>	<u> </u>	<u>431</u>
Guest (including 1 Handicap)	<u> </u>	<u>13</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>13</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 (Handicap)	<u>8</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>8</u>
(Loading)	<u> </u>	<u>2</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>2</u>
Total Covered & Open:	<u>254</u>	<u> </u>	<u>200</u>	<u> </u>	<u>0</u>	<u> </u>	<u>454</u>

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

Commercial parking garage permitted in condominium project.

Exhibits "B-3" and "F" contain 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 (Private Park, Open Space)

Laundry Area Tennis Court Trash Chute/Enclosure(s)

Other: Fitness Center, whirlpool, barbecue facilities

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

There are no violations. Violations will not be cured.

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

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

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

* A zoning adjustment (Zoning Adjustment 2004/ZA-57) has been approved by the Department of Planning and Permitting for the City and County of Honolulu to allow an energy-saving stepped rooftop design to extend beyond the governing district height limit for the life of the residential structure.

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:

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 "B-1".

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 April 13, 2006 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. *

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>
---------------------	--

* The developer has obtained and/or will obtain one or more loan(s) to finance acquisition and construction of the project. The loans are secured by a mortgage, which will be released as to the apartment being conveyed. If there is a default and foreclosure of the mortgage prior to conveyance, the buyer may lose the right to buy the apartment, but will receive his/her deposit back.

F. Construction Warranties:

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

1. Building and Other Improvements:

The developer does not make any warranties for the project, but merely intends to pass on any warranties made to it by the general contractor (or any other contractor or subcontractors) for the project to correct any work found to be defective within the applicable warranty period. Typically, a general contractor will provide a warranty for work found to be defective within one-year after the date of substantial completion of the project.

2. Appliances:

The developer will pass on the manufacturer's warranties made to it, if any, on any appliances included as part of the apartment being conveyed.

NOTE: Except as provided above, Developer disclaims any implied warranty of habitability, any implied warranty of merchantability, any implied warranty of fitness for a particular purpose or use, any implied warranty of workmanship and any other express or implied warranties, with respect to the apartments, the project, the common elements thereof, or as to any appliances and furnishings contained within the apartments or the project.

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

Construction of the project has commenced. The developer estimates that the project will be completed by or before February 2008.

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):

N/A

IV. CONDOMINIUM MANAGEMENT

A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and 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 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: The Estimated Maintenance Fee Disbursements for The Watermark Association have been compiled by Hawaiiana Management Company, Ltd., a licensed property manager on the basis of its standard budget assumptions. Although the property manager makes every effort to estimate the actual cost of operation, certain budget items may change. The Purchaser is aware that such amounts are only estimates and may change for reasons beyond the control of Seller, and the Purchaser hereby specifically accepts and approves any such changes. The Purchaser is also aware that such estimates do not include the Purchaser's obligation for payment of real property taxes. The Purchaser understands that such estimates are not intended to be and do not constitute any representation or warranty by the Seller, including but not limited to any representation or warranty as to the accuracy of such estimates. Purchaser understands that Seller has not independently confirmed the accuracy or content of the estimates prepared by the licensed independent managing agent. Further, the Developer advises that costs and expenses of maintenance and operation of a condominium community are very difficult to estimate initially and even if such maintenance charges have been accurately estimated, such charges will tend to increase in an inflationary economy and as the improvements age. Maintenance charges can vary depending on services desired by homeowners and may increase significantly depending on the level of services eventually selected by the Association's Board of Directors. The Purchaser should examine the maintenance charges schedule to see what services are included in the schedule and address these issues with its Board upon its formation. Purchasers should also be aware that the estimates provided are as of the date reflected in the Managing Agent's certification and do not reflect the actual charges that may be incurred upon the formation of the Association and the actual contracting for such services such as insurance and maintenance, etc.

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 Refuse collection for common area refuse containers; wireless internet access in the common areas**

* Basic cable is included in the maintenance fees. Premium channels must be separately contacted for between the apartment owner and provider.

**Telephone service for the common areas (e.g. enterphone, elevator phones, management office and wireless internet access in pool/lobby area) is included in the maintenance fee. Telephone service and internet access for individual apartments must be separately contracted for between the apartment owner and provider.

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit "I" contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated July 29, 2005
Exhibit "J" contains a summary of the pertinent provisions of the escrow agreement.
- Other Apartment Deed. Exhibit "K" contains a summary of the pertinent provisions of the Apartment Deed.

B. Buyer's Right to Cancel Sales Contract:

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

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the developer may be binding on the developer unless the developer clearly states in the sales contract that sales are not 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.
- C) Bylaws of the Association of Apartment Owners.
- 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: None

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 agents, 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. 5672 filed with the Real Estate Commission on May 18, 2005.

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C. **Additional Information Not Covered Above**

1. Private Road; T.M.K. (1) 2-6-11-36 ("Parcel 36"). The project land includes a one-sixth (1/6th) undivided interest in Parcel 36, a private road that can be utilized for access to the six (6) properties abutting the road, including T.M.K. (1) 2-6-11-32 ("Parcel 32"), which is part of the project land. The developer currently has no plans to provide any vehicular or pedestrian access to the project from and over Parcel 36 and will eliminate any improvements presently on Parcel 32 that would provide such access. As part of the common elements of the project, apartment owners will have maintenance and other obligations as an owner in common with the other owners of properties abutting Parcel 36.
2. Parking and Storage Units. Each apartment in the project will have the exclusive use of at least one (1) parking stall located in the project parking structure and the storage unit located in the airspace above such stall. Initially, 439 parking stalls (located in the parking structure and the Parcel 37 Parking Area designated on the Condominium Map) will be assigned as limited common elements to the office apartment, which will be owned and controlled by the developer. At least one parking stall, including the storage unit located in the airspace above the parking stall, will be transferred by developer from the office apartment to each residential apartment as limited common elements by an amendment to the Declaration immediately prior to recordation of the deed conveying the apartment to the buyer. The developer may, but is under no obligation, to offer additional parking stalls for sale to buyers in the developer's sole discretion. The parking stall(s) to be transferred to each apartment will be addressed in a parking stall addendum to each buyer's purchase agreement for an apartment in the project.

Two loading stalls have been designated as common elements of the project. Fourteen parking stalls (6 open regular stalls and 8 open compact stalls) located on the Condominium Map in the "Parcel 37 Parking Area" will remain attached to the office apartment as limited common elements provided for the use of the owner and tenants of the property adjacent to the stalls located at 1819 Lipeepee Street (T.M.K. No. (1) 2-6-11-37) ("Parcel 37") pursuant to the Declaration. See discussion of Joint Development Obligations in paragraph 4 below.

3. Future Transfer of Office Apartment to the Association. The developer has reserved the right to convey the office apartment to the Association, together with all of the limited common elements appurtenant thereto, whereupon the Association will be responsible for the care and maintenance of the office apartment and its limited common elements, which cost shall be borne and shared by all Apartment Owners of the project in proportion to each owner's common interest.
4. Joint Development Obligations. The developer has entered into an Agreement for Issuance of Conditional Use Permit Under Section 21-5.380 of the Land Use Ordinance (LUO) dated December 21, 2004 ("Joint Development Agreement"), with various parties who previously owned lots that were purchased by the developer and are now part of the project land, and with Dragon Ventures LLC, a Hawaii limited liability company (the "Parcel 37 Owner"), which continues to own the property abutting the project located at 1819 Lipeepee Street (Parcel 37). The developer entered into the Joint Development Agreement to permit the project land and Parcel 37 to be treated as one zoning lot that would allow use of the unused floor area or density attributable to Parcel 37 to be used for construction of the project improvements. In view of such arrangement, the Special District (Major) Permit 2004/SDD-76 (the "Special District Permit"), issued by the City and County of Honolulu Department of Planning and Permitting (the "Department") for development of the project requires the developer to, among other things, construct additional off-street parking for Parcel 37. A portion of the parking for the use of Parcel 37 has been constructed on the project land and is identified on the Condominium Map as the "Parcel 37 Parking Area". The Parcel 37 Parking Area will be attached to the office apartment as a limited common element. As disclosed in paragraph 3 above, the developer has reserved the right to convey the office apartment to the Association, including the Parcel 37 Parking Area, as the apartment owners will enjoy the benefits of the additional density gained for construction of the project improvements due to the Joint Development Agreement.

The Parcel 37 Owner has been granted certain easement rights for the use of and access to the Parcel 37 Parking Area under Section IV.D. of the Declaration so long as the Joint Development Agreement is effective. The developer has reserved certain rights for itself and its successors in ownership of the office apartment, in Section XXIII. of the Declaration, to withdraw, subdivide and convey the Parcel 37 Parking Area to the Parcel 37 Owner for consolidation with Parcel 37.

The developer and Parcel 37 Owner have also entered into an Agreement for Transfer of Density Rights; Declaration of Restrictive Covenants; Agreements; and Grant of Power of Attorney dated January 7, 2005 ("CCRs"), which has been recorded as an encumbrance against Parcel 37 and the project land, outlining certain obligations between the parties regarding their joint development obligations. The apartment owners will be subject to such obligations as the developer's successor in ownership of the project land.

Copies of the Joint Development Agreement and CCRs are available from the project broker. Buyers are encouraged to review such agreements to understand their rights and obligations thereunder.

5. Cultural Preserve Land Area. The developer has reserved the right to designate one or more cultural preserve land areas on the project land for the preservation, location and/or relocation of any burial or historic sites or artifacts found during development of the project and protected under the laws of the State of Hawaii. Such rights are further disclosed in Exhibit "A" to this public report.
6. Open Space; Public Access. Pursuant to the Special District Permit, the project land area designated "Open Space" on the Condominium Map must be maintained as a public open space and park with park improvements (e.g. benches, landscaping, etc.). In addition, the public will be granted a sidewalk easement over the meandering path traversing the Open Space and continuing through the project land along Hobron Street. The "Open Space" is part of the common elements of the project, therefore, the Association will be responsible for the care and maintenance of the Open Space, which cost shall be borne and shared by all Apartment Owners of the project in proportion to each owner's common interest.
7. Private Park. The developer intends to execute, for and on behalf of the Association, a Declaration of Restrictive Covenants (Private Park) to satisfy the park dedication requirements of the City and County of Honolulu. Generally, the park declaration will identify the private park area on the project land, as also reflected, more or less, on the Condominium Map, and provide (i) that the park area will be improved, maintained and used exclusively for private park, playground and recreational purposes by the occupants, owners or lessees of the project, (ii) that the park declaration will continue in full force and effect in perpetuity and shall not be released, amended or altered in any way, except by a majority vote of the apartment owners with the written approval of the Director of Planning and Permitting of the Department, and (iii) that the Association will maintain and pay for the cost of maintenance of the private park.
8. No Thirteenth Floor. The residential tower is a 38-story building in which the floors above the ground floor are designated consecutively as floors two (2) to and including twelve (12) and fourteen (14) to and including thirty-nine (39).
9. Prohibition Against Enclosure of Lanais. The developer intends to execute, for and on behalf of the Association, a Declaration of Restrictive Covenant Regarding Lanai Enclosures prohibiting enclosure of the lanais appurtenant to the apartments in the project pursuant to a condition of the Special District Permit. Developer reserves the right to amend the project documents and/or to record any other instrument acceptable to the Department to subject the apartment owners to such prohibition.
10. Project Permits. The developer's reserved rights, which are further disclosed in Exhibit "A" to this public report, include the right to modify the permits issued by the Department for development of the project, including to eliminate any of the permit requirements disclosed herein.
11. Alleged Defects. Article XXXII. of the Declaration sets forth claim resolution procedures binding upon the Association, the Board and apartment owners in the event of a claim alleging that any portion of the common elements of the project or any improvement constructed thereon is defective or that developer, its agents, consultants, contractors or subcontractors were negligent or otherwise liable for defects in the planning, design, engineering, grading or construction of the project.
12. Developer may revise the specimen deed and sales contracts for The Watermark Community to conform with any future amendments that may be made to the Declaration and/or the community.

EXHIBIT "A"

RIGHTS RESERVED BY DEVELOPER

Among other rights, the Developer will have the following reserved rights with respect to the Project, which are more particularly set forth in the Declaration, Bylaws, House Rules and Purchase Agreement.

DECLARATION

A. **RESERVED RIGHT TO CHANGE PROJECT NAME.** This right is reserved to Developer in Article I, Section B., paragraph 41 of the Declaration under the definition of the term "The Watermark".

B. **RESERVED RIGHT TO GRANT EASEMENTS.** These rights are set forth in Article XVIII of the Declaration. Developer will have, among other things, the right to grant utility easements, and to delete, cancel, relocate, realign, reserve, grant and receive any and all easements and rights of way over, under and on the common elements. Developer's rights under said Article XVIII are reserved until December 31, 2025.

C. **RESERVED RIGHT TO ALTER, SUBDIVIDE AND CONSOLIDATE APARTMENTS.** This right is set forth in Article XIX of the Declaration. Developer will have, among other things, the right until December 31, 2025, to (1) alter the floor plan of any Apartment which it owns so long as the common interest appurtenant to the Apartment does not change; (2) subdivide any Apartment which it owns at any time to create two or more Apartments so long as the total common interest appurtenant to the newly-created Apartments are equal to the common interest appurtenant to the original Apartment; (3) convert the status of certain portions of an existing Apartment to common element status to facilitate the subdivision so long as the total common interest appurtenant to the newly-created Apartment(s) equal the common interest appurtenant to the original Apartment; and (4) consolidate two or more Apartments which it owns and convert any area between Apartments to Apartment status.

D. **RESERVED RIGHT TO MODIFY AND TO AMEND PROJECT DOCUMENTS AND/OR THE CONDOMINIUM MAP.** This right is set forth in Article XX of the Declaration. Developer will have, among other things, the reserved right, but not the obligation, to and until December 31, 2025 to effect such modifications to apartments and common elements in the Project and/or to execute, file and deliver any amendments to the Declaration, the Condominium Map, the Bylaws and House Rules, as to ensure full compliance by the Project, and the Association with laws that apply to the Project. However, this right does not create an obligation on Developer's part to effect such compliance.

E. **RESERVED RIGHT TO CONVERT LIMITED COMMON ELEMENTS TO APARTMENTS.** This right is set forth in Article XXI of the Declaration. Developer shall have, among other things, the right until December 31, 2025, without obtaining the approval of any party with an interest in the Project, including any other Owner and/or mortgagee, to convert a limited common element appurtenant to an Apartment or Apartments owned by Developer, or any portion thereof, into a separate Apartment of the Project.

F. **RESERVED RIGHT TO RECHARACTERIZE AND REDESIGNATE LIMITED COMMON ELEMENTS.** This right is set forth in Article XXII of the Declaration. Developer will have, among other things, the right until December 31, 2025, to (1) recharacterize all or a portion of certain limited common elements as may be appurtenant to an Apartment owned by Developer as being common elements of the Project; and (2) redesignate all or a portion of certain limited common elements as may be appurtenant to any Apartment owned by Developer, to another Apartment or Apartments owned by Developer.

G. **RESERVED RIGHT TO SUBDIVIDE AND WITHDRAW LAND, AND CONVEY LAND AND/OR APARTMENTS.** This right is set forth in Article XXIII of the Declaration. Developer will have, among other things, the right until December 31, 2025, to subdivide and withdraw from the operation of the Declaration all or a portion of (1) the Parcel 37 Parking Area and such additional adjacent land area

as may be reasonably desired for purposes of conveying and consolidating such area with Parcel 37, (2) the Open Space and such additional adjacent land as may be reasonably desired for purposes of dedicating the same to the City and County of Honolulu for park purposes or open space, and (3) one or more burial or cultural preserve land area or areas for purposes of addressing the preservation, location and/or relocation of any burial or historic sites or artifacts found during development of the Project and protected under the laws of the State of Hawaii.

H. RESERVED RIGHTS REGARDING LAND USE AND OTHER PERMITS. This right is set forth in Article XXIV of the Declaration. Developer will have, among other things, the right until December 31, 2025, to (1) amend the Project Documents, (2) enter into any agreements, including without limitation, to declare and subject the project land and improvements to restrictive covenants, (2) designate and grant easements, (3) secure any other governmental permits, and (4) do all things necessary and convenient to satisfy the requirements of any land use or other permits pertaining to the Project, including without limitation, that certain Conditional Use Permit (Minor) 2004/CUP-44, Zoning Adjustment 2004/ZA-57, and Special District (Major) Permit 2004/SDD-76, issued by the City and County of Honolulu Department of Planning and Permitting. These rights include the right to provide open space and a sidewalk for use by the public on the project land, to establish a private park at the Project, to designate one or more cultural preserve land area or areas for purposes of addressing the preservation, location and/or relocation of any burial or historic sites or artifacts found during development of the Project and protected under the laws of the State of Hawaii, to prohibit enclosure of the lanais to any Apartment in the Project, and to enter into agreements with Dragon Ventures, as the owner of Parcel 37, as may be appropriate in connection with joint development of the Project and Parcel 37.

I. RESERVED RIGHT TO CONVEY PROPERTY TO THE ASSOCIATION. This right is set forth in Article XXV of the Declaration. Developer will have, among other things, the right until December 31, 2025, to convey to the Association, and the Association shall accept, title to any property owned by Developer, including without limitation the Office Apartment, together with the responsibility to perform any and all duties associated therewith, which, upon conveyance or dedication to the Association, the Association shall maintain at its expense for the benefit of the Owners.

J. RESERVED RIGHT TO TRANSFER DENSITY RIGHTS TO THE ASSOCIATION. This right is set forth in Article XXVI of the Declaration. Developer will have, among other things, the right until December 31, 2025, to transfer certain density rights owned by Developer pursuant to the Joint Development Agreement, to the Association, subject to the Joint Development Agreement and such other agreements with Dragon Ventures and/or the City and County of Honolulu as may be necessary or convenient regarding the density rights, including without limitation, with respect to ownership and administration of such rights.

K. RESERVED RIGHT TO CONDUCT SALES ACTIVITIES. This right is set forth in Article XXVII of the Declaration. Developer will have, among other things, the right until the later of December 31, 2025 or the closing of the sale of the last unsold Apartment in the Project, to conduct extensive sales activities at the Project, including the use of any Apartment owned by Developer and the common elements (excluding the limited common elements appurtenant to Apartments not owned by Developer).

L. RESERVED RIGHT TO CONVERT PARKING STALLS TO COMMON ELEMENTS AND TO RECORD PARKING STALL AMENDMENT. This right is set forth in Article XXVIII of the Declaration. Developer will have, among other things, the right until the later of December 31, 2025, to convert and redesignate any parking stalls that are appurtenant to any of the Apartments owned by Developer from limited common elements to common elements of the Project. Developer shall also have the reserved right (but not the obligation) to record an instrument, which lists all parking stalls that have been assigned and which identifies the Apartment to which each such parking stall was assigned or reassigned. Furthermore, Developer may amend this Declaration (and when appropriate the Condominium Map) without the approval, consent and joinder of any person or group of persons, including the Association, any Apartment Owner or any mortgagee, lienholder, or any other person who may have an interest in the Project or in any Apartment in any manner required to retrofit guest parking stalls and any parking stall within Developer's control, by virtue of Developer's ownership of an Apartment(s) or otherwise, so they

are suited for use by persons with disabilities and to assign such stalls as appurtenant limited common elements to any one or more of the Apartment intended for use by persons with disabilities upon substitution therefor of alternate guest parking stall(s). Such assignment may be made to Apartments, the Owners of which, Developer, in its sole judgment, determines require a parking stall accessible to persons with disabilities. Such reassignment is hereby specifically declared not to constitute the material amendment of this Declaration or when appropriate the Condominium Map. All costs of such reassignment shall be borne as determined by Developer. Notwithstanding the foregoing, Developer also reserves the right to interchange guest parking stalls and the handicap guest parking stall(s) to accommodate Apartment Owners in need of such. The rights of Developer under this Section may, at the sole election of Developer, be assigned to the Association's Board of Directors by the recording of an amendment to this Declaration.

M. **ASSIGNMENT OF RESERVED RIGHTS.** Pursuant to Article XXIX of the Declaration, the rights reserved by Developer are fully assignable.

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

O. **ALLEGED DEFECTS; RIGHT OF DEVELOPER TO CURE.** Developer reserves the right to inspect, evaluate, repair and/or replace Alleged Defects in the Project pursuant to the claim resolution procedures set forth in Article XXXII of the Declaration.

BYLAWS

A. **RESERVED RIGHT TO AMEND BYLAWS.** This right is set forth in Article X, Section 14. of the Bylaws. Developer shall have the reserved right to unilaterally amend the Bylaws for the purpose of complying with any applicable State, Federal or County law, or for the purpose of incorporating requirements imposed by any institutional mortgage lender or by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, U.S. Department of Housing and Urban Development or Veterans Administration, or for the purpose of bringing the Project and/or the Bylaws into compliance with the laws and rules of any other jurisdiction in which Developer intends to register, market or sell Apartments. Each and every party acquiring an interest in the Project, by such acquisition, consents to such amendments as described in the preceding sentence and agrees to execute and deliver such documents and instruments and do such other things as may be necessary or convenient to effect the same; and appoints the Developer and its assigns his attorney-in-fact with full power of substitution to execute and deliver such documents and instruments and to do such things on his behalf, which grant of such power, being coupled with an interest, is irrevocable for the term of said reserved rights, and shall not be effected by the disability of such party or parties. Further, no amendment to the Declaration or these Bylaws that affects the Developer's reserved rights contained within the Declaration shall be valid, unless consented to by the Developer in writing.

HOUSE RULES

A. **RESERVED RIGHT TO AMEND HOUSE RULES.** This right is set forth in Article XVI of the House Rules. Prior to the election of the first Board, Developer reserves the right to amend the House Rules in any manner without the joinder, consent or approval of any other party.

PURCHASE AGREEMENT

A. **RESERVED RIGHT TO AMEND PROJECT DOCUMENTS.** This right is set forth in Section D.5 of the Purchase Agreement for the Project. Developer, as Seller, reserves the right to amend the project documents in order to comply with VA, FHA, FNMA and/or FHLMC requirements so that loans secured by mortgages of apartments in the Project may be made, guaranteed or insured through VA, FHA, FNMA and/or FHLMC programs.

B. **RESERVED RIGHT TO CHANGE CONSTRUCTION AND MODELS.** This right is set forth in Section D.15 of the Purchase Agreement for the Project. Developer, as Seller, reserves the right to make any desirable changes or substitutions in any of the materials to be used in improving the Apartment or the Project as Seller deems necessary or desirable and which meet with the approval of the appropriate city or county department and without limitation, by any lender, lender participant, underwriter, law or regulation, and labor, material or utility availability, stoppage or shortage, or as Seller may deem advisable, and may make substitutions of substantially equivalent or superior quality materials, furnishings, fixtures, structural systems, or appliances or any standard items displayed in the model units or reflected in constructions plans for the Apartment and Project. Seller also reserves the right from time to time, at its discretion or as required by any governmental authority or any lender, to make minor variations to the plans and specifications pertaining to the Apartment or the Project (including architectural, structural, engineering, landscaping, grading, mechanical, site service or other plans), including any recreational amenities or other amenities within the Project.

C. **RESERVED RIGHT TO CONDUCT SALES ACTIVITIES.** This right is set forth in Section D.20 of the Purchase Agreement for the Project. Developer, as Seller, reserves the right for itself, its sales representatives, its contractors, subcontractors, vendors and other prospective purchasers to utilize the common elements of the Project for ingress and egress, parking, marketing operations and events, and to show the common elements to prospective purchasers.

D. **RESERVED RIGHT TO LEASE.** This right is set forth in Section D.30 of the Purchase Agreement for the Project. Seller reserves the right to lease any or all units remaining unsold from time to time, on either a short-term or long-term basis.

E. **RESERVED RIGHT TO CHANGE INSULATION.** This right is set forth in Section D.32 of the Purchase Agreement for the Project. Seller reserves the right to use different types of insulation with different thicknesses and R-values.

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

EXHIBIT "B-1"

Apartment Types, Apartment Numbers, Percentage Undivided Common Interest

Unit type	Apartment Number	Undivided Common Interest of Each Apartment
A (36 Units)	201, 301, 401, 501, 601, 701, 801, 901, 1001, 1101, 1201, 1401, 1501, 1601, 1701, 1801, 1901, 2001, 2101, 2201, 2301, 2401, 2501, 2601, 2701, 2801, 2901, 3001, 3101, 3201, 3301, 3401, 3501, 3601, 3701, 3801	0.0048817
B (36 Units)	202, 302, 402, 502, 602, 702, 802, 902, 1002, 1102, 1202, 1402, 1502, 1602, 1702, 1802, 1902, 2002, 2102, 2202, 2302, 2402, 2502, 2602, 2702, 2802, 2902, 3002, 3102, 3202, 3302, 3402, 3502, 3602, 3702, 3802	0.0045388
BR (36 Units)	203, 303, 403, 503, 603, 703, 803, 903, 1003, 1103, 1203, 1403, 1503, 1603, 1703, 1803, 1903, 2003, 2103, 2203, 2303, 2403, 2503, 2603, 2703, 2803, 2903, 3003, 3103, 3203, 3303, 3403, 3503, 3603, 3703, 3803	0.0045388
C.1 (35 Units)	204, 304, 404, 504, 604, 704, 804, 904, 1004, 1104, 1204, 1404, 1504, 1604, 1704, 1804, 1904, 2004, 2104, 2204, 2304, 2404, 2504, 2604, 2704, 2804, 2904, 3004, 3104, 3204, 3304, 3404, 3504, 3604, 3704	0.0045388
C.2 (32 Units)	205, 305, 405, 505, 605, 705, 805, 905, 1005, 1105, 1205, 1405, 1505, 1605, 1705, 1805, 1905, 2005, 2105, 2205, 2305, 2405, 2505, 2605, 2705, 2805, 2905, 3005, 3105, 3205, 3305, 3405	0.0044123
C.3 (1 Unit)	3505	0.0051837
C.4 (2 Units)	3605, 3705	0.0051837
D (32 Units)	206, 306, 406, 506, 606, 706, 806, 906, 1006, 1106, 1206, 1406, 1506, 1606, 1706, 1806, 1906, 2006, 2106, 2206, 2306, 2406, 2506, 2606, 2706, 2806, 2906, 3006, 3106, 3206, 3306, 3406	0.0048205
PH-1 (1 Unit)	3804	0.0076450
PH-2 (1 Unit)	3901	0.0192921
Office (1 Unit)	101	0.0006694

EXHIBIT "B-2"

Apartment Layouts

Apartment Type "A"

All type "A" apartments contain six (6) rooms, including two (2) bedrooms, two (2) bathrooms, a kitchen, and a living/dining room, all as depicted on the Condominium Map. Each apartment is a single-story apartment with a lanai, and a net living area of 1,196 square feet and a lanai area varying from 68 square feet to 1,011 square feet as set forth on the Condominium Map. There is a total of thirty-six (36) type "A" apartments.

Apartment Types "B" and "BR"

All type "B" and "BR" apartments contain six (6) rooms, including two (2) bedrooms, two (2) bathrooms, a kitchen, and a living/dining room, all as depicted on the Condominium Map. Each apartment is a single-story apartment with a lanai, and a net living area and lanai areas as set forth on the Condominium Map. Type "BR" is a reverse layout of Type "B". The net living area of Type "B" apartments vary from 1,110 square feet to 1,112 square feet with lanai areas varying from 78 square feet to 227 square feet. The net living area of Type "BR" apartments vary from 1,115 square feet to 1,117 square feet, with lanai areas varying from 78 square feet to 227 square feet. Collectively, there is a total of seventy-two (72) type "B" and "BR" apartments.

Apartment Type "C.1"

All type "C.1" apartments contain six (6) rooms, including two (2) bedrooms, two (2) bathrooms, a kitchen, and a living/dining room, all as depicted on the Condominium Map. Each apartment is a single-story apartment with a lanai, and a net living area of 1,112 square feet and lanai areas varying from 78 square feet to 221 square feet, as set forth on the Condominium Map. There is a total of thirty-five (35) type "C.1" apartments.

Apartment Type "C.2"

All type "C-2" apartments contain six (6) rooms, including two (2) bedrooms, two (2) bathrooms, a kitchen, and a living/dining room, all as depicted on the Condominium Map. Each apartment is a single-story apartment with a lanai, and a net living area of 1,081 square feet and lanai areas varying from 78 square feet to 224 square feet, as set forth on the Condominium Map. There is a total of thirty-two (32) type "C-2" apartments.

Apartment Type "C.3"

Apartment 3505 is the only type "C-3" apartment. It contains seven (7) rooms, including two (2) bedrooms, two (2) bathrooms, a den, a kitchen, and a living/dining room, all as depicted on the Condominium Map. It is a single-story apartment with two (2) lanais and a net living area of 1,275 square feet and lanai areas of 78 square feet and 541 square feet, as set forth on the Condominium Map.

Apartment Type "C.4"

All type "C.4" apartments contain seven (7) rooms, including two (2) bedrooms, two (2) bathrooms, a den, a kitchen, and a living/dining room, all as depicted on the Condominium Map. Each apartment is a single-story apartment with a lanai, and a net living area of 1,269 square feet and a lanai area of 78 square feet, as set forth on the Condominium Map. There is a total of two (2) type "C.4" apartments.

Apartment Type "D"

All type "D" apartments contain six (6) rooms, including two (2) bedrooms, two (2) bathrooms, a kitchen, and a living/dining room, all as depicted on the Condominium Map. Each apartment is a single-story apartment with a lanai, and a net living area of 1,118 square feet and a lanai area varying from 66 square feet to 94 square feet, as set forth on the Condominium Map. There is a total of thirty-two (32) type "D" apartments.

Apartment Type "PH.1"

Apartment "PH.1" contains eight (8) rooms, including two (2) bedrooms, two and a-half (2½) bathrooms, a study, a kitchen, and a living/dining room, all as depicted on the Condominium Map. The apartment is a single-story apartment with two (2) lanais, and a net living area of 1,873 square feet and lanai areas of 78 square feet and 421 square feet, as set forth on the Condominium Map. There is a total of one (1) type "PH.1" apartment.

Apartment Type "PH.2"

Apartment "PH.2" contains eight (8) rooms, including three (3) bedrooms, two and a-half (2½) bathrooms, a kitchen, and a living/dining room, all as depicted on the Condominium Map. The apartment is a single-story apartment with two (2) lanais, and a net living area of 2,280 square feet and lanai areas of 302 square feet and 1,016 square feet, as set forth on the Condominium Map. There is a total of one (1) type "PH.2" apartment.

Apartment Type "Office Unit"

Apartment "Office Unit" contains one (1) room, as depicted on the Condominium Map. The apartment is a single-story apartment without a lanai, and a net area of 155 square feet as set forth on the Condominium Map. There is a total of one (1) "Office Unit" apartment.

Common Interest

The Common Interest appurtenant to a particular Apartment has been determined by allocating the estimated general benefit received by the Apartment from the operation and maintenance of the common areas and limited common areas, taking into account the result of dividing the approximate total net interior floor area of each apartment by the approximate total net interior floor area of all apartments, and then multiplying that result by 100; provided, however, in accordance with Hawaii Revised Statutes § 514A-15(a), as between apartments, these interests have been apportioned in a fair and equitable manner so as to reflect the discrete benefits or lack thereof accruing to apartments within an individual apartment class and to the office class, respectively. The common interest assigned to the individual Apartments has been rounded off so that the total of all Common Interests equals 1.0 (100%).

EXHIBIT "B-3"

THE WATERMARK PARKING MATRIX		
UNIT		
NUMBER	STALLS	
201	C466	C465
202	C662	C620
203	C451	S408
204	C657	S635
205	C652	S615
206	C464	G1
301	C556	S514
302	S526	S539
303	C450	S407
304	C555	S515
305	C660	C622
306	C463	S624
401	C545	S610
402	C448	S405
403	C454	H369
404	C449	S406
405	C665	C617
406	C654	S625
501	C560	S507
502	C354	C355
503	S430	C421
504	S428	C423
505	C656	S636
506	C651	S614
601	S366	C365
602	C457	S339
603	S530	S524
604	C643	S672
605	C655	S637
606	C659	C623
701	C447	S404
702	C554	S601
703	C553	S602
704	C648	S667
705	C661	C621
706	C653	S638
801	S572	S631
802	C550	S605
803	C548	S607
804	C642	C673
805	C663	C619

806	C658	S634
901	S567	S626
902	C543	S612
903	S531	C523
904	C541	S525
905	C666	C616
906	C649	S639
1001	S533	C521
1002	C441	S475
1003	S538	C516
1004	C551	S604
1005	C650	S640
1006	C647	S668
1101	S529	S576
1102	S535	C519
1103	C561	S506
1104	C544	S611
1105	C646	S669
1106	C645	S670
1201	C446	S403
1202	C563	S504
1203	C565	S502
1204	S534	C520
1205	C644	S671
1206	C641	S674
1401	C453	H368
1402	S573	S632
1403	S571	S630
1404	C559	S508
1405	C664	C618
1406	C547	S608
1501	C343	H367
1502	S568	S627
1503	S427	S440
1504	S474	S513
1505	S528	S575
1506	S527	S540
1601	C142	H144
1602	C445	S402
1603	S433	C418
1604	S537	C517
1605	S429	C422
1606	C552	S603
1701	C346	S308
1702	S432	C419
1703	S536	C518

1704	S569	S628
1705	C549	S606
1706	C546	S609
1801	C348	S306
1802	C443	S424
1803	C456	S375
1804	S436	S425
1805	C542	S613
1806	S532	C522
1901	C431	S420
1902	C344	S315
1903	S438	S415
1904	S435	C416
1905	S574	S633
1906	C557	S510
2001	C345	S309
2002	S472	S511
2003	S470	S412
2004	C458	S340
2005	C558	S509
2006	C562	S505
2101	S469	S411
2102	S467	S409
2103	S330	S324
2104	S437	S414
2105	C444	S401
2106	C566	S501
2201	S337	C317
2202	S335	C319
2203	C350	S304
2204	S473	S512
2205	C452	C455
2206	S570	S629
2301	S336	C318
2302	C349	S305
2303	S332	C322
2304	S468	S410
2305	C462	C461
2306	S426	S439
2401	S333	C321
2402	C358	C357
2403	C351	S303
2404	C353	S301
2405	S434	C417
2406	C442	S476
2501	S236	C218

2502	C262	S215
2503	S228	S214
2504	S326	S327
2505	S374	S314
2506	C356	S325
2601	C141	S274
2602	S373	S313
2603	S371	S311
2604	S229	S224
2605	S471	S413
2606	S564	S503
2701	C250	S204
2702	C460	C459
2703	S238	C216
2704	C251	C203
2705	S331	C323
2706	S334	C320
2801	C341	C342
2802	S230	S225
2803	C252	S202
2804	S231	C223
2805	C347	S307
2806	C352	S302
2901	C255	H267
2902	C260	C261
2903	C249	S205
2904	C362	C361
2905	S270	S271
2906	C253	S275
3001	C264	C263
3002	S235	C219
3003	C247	S207
3004	S234	C220
3005	S372	S312
3006	S370	S310
3101	C242	S212
3102	S237	C217
3103	C246	S208
3104	C248	S206
3105	S338	C316
3106	S232	C222
3201	S272	S273
3202	S227	S240
3203	C244	S210
3204	C241	S213
3205	S233	C221

3206	C359	C360
3301	S113	C117
3302	S226	S239
3303	C245	S209
3304	C136	S201
3305	S129	C118
3306	C364	C363
3401	C131	S115
3402	S127	C120
3403	S128	C119
3404	C243	S211
3405	S328	S329
3406	S126	C121
3501	C135	S149
3502	C257	H269
3503	S109	S110
3504	C266	C265
3505	S105	S106
3601	S124	C123
3602	C258	C259
3603	S125	C122
3604	C130	S114
3605	C132	S146
3701	C137	C138
3702	S112	C116
3703	C134	S148
3704	C256	H268
3705	S107	S108
3801	C139	C140
3802	S111	C145
3803	C133	S147
3804	S103	S104
3901	S101	S102
APT. Office	ADA	H143

EXHIBIT "C"

BOUNDARIES OF EACH APARTMENT

Capitalized terms have the same meaning ascribed to such terms in the Declaration.

Each Apartment in the Project shall be deemed to include: (i) all of the walls and partitions that are not load-bearing within its perimeter or party walls, (ii) all moveable lanai doors and their door frames, all windows and window frames, louvers (if any), and shutters (if any); (iii) all pipes, shafts, ducts, pumps, conduits, wires and other utility or service lines running through such Apartment that are utilized for and serve only that Apartment, (iv) the interior decorated or finished surfaces of all walls, floors and ceilings surrounding each Apartment and the air space located therein, and (iv) all appliances, interior hardware, and fixtures installed therein, and replacements therefor.

Each Apartment shall not be deemed to include: (a) the perimeter or party walls or the undecorated or unfinished interior surfaces thereof, (b) the floors and ceilings surrounding each Apartment or the undecorated or unfinished surfaces thereof, (c) the interior load-bearing walls and columns, if any, or the undecorated or unfinished surfaces thereof, (d) any pipes, shafts, ducts, pumps, conduits, wires or other utility or service lines that are utilized for or serve more than one Apartment, the same being deemed Common Elements as hereinafter provided, or (e) any areas designated as Limited Common Elements.

EXHIBIT "D"

PERMITTED ALTERATIONS TO APARTMENTS

Capitalized terms have the same meaning ascribed to such terms in the Declaration.

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

B. **ADDITIONS OR ALTERATIONS SOLELY WITHIN AN APARTMENT OR LIMITED COMMON ELEMENT.** Notwithstanding anything to the contrary contained in the Declaration, each Owner of an Apartment shall have the right at any time and from time to time at such Owner's sole cost and expense, and without the necessity of the consent or joinder of any other Apartment Owner, but with notice to the Association and with prior written approval of the Board, to make any of the following alterations solely within the Apartment or Limited Common Element which such Owner controls: to install, maintain, remove and rearrange partitions (including the party wall between two Apartments owned by the same Owner) and other structures from time to time within such Apartment or Limited Common Element, to finish, alter or substitute any plumbing, electrical or other fixtures attached to the ceilings, floors and walls as shall be appropriate for the utilization of such Apartment or Limited Common Element by such Owner or the tenants or lessees thereof, and to tile, re-carpet, and do or cause to be done such work on the floors of any Apartment or Limited Common Element that does not increase the acoustical transfer from such Apartment or Limited Common Element; provided, however, that nothing contained in this paragraph shall authorize any work or alteration which would jeopardize the soundness or safety of any part of the Project, reduce the value thereof, materially adversely affect any other Apartment or Limited Common Element, materially alter the uniform external appearance of the Project, materially increase the transfer of sounds, noise, air or smoke to other Apartments or Common Elements, materially affect or impair any easement or rights of any of the other Apartment Owners, or materially interfere with or deprive any non-consenting Owner of the use or enjoyment of any part of the Common Elements; subject, however, to the exclusive use of the Limited Common Elements. The Board will have the right to form an architectural review committee, and to establish such procedures as it deems appropriate to process any Owner-initiated request for modifications or alterations of Apartments. Further, nothing in this paragraph shall prohibit the Board from effecting such changes within an Apartment or Limited Common Element, or to require same, in order that the buildings of the Project may continue to comply with applicable law, including any fire code requirements.

C. **APARTMENT OWNERS TO EXECUTE AMENDMENT DOCUMENTS IN CERTAIN CASES.** In the event that any change or alteration of an Apartment pursuant to and in compliance with Article XII, Section B. of the Declaration shall alter the depiction of the particular Apartment on the Condominium Map or the description thereof in this Declaration, then the Owner of such Apartment shall amend the Declaration and/or the Condominium Map to set forth such approved change or alteration, which amendment(s) may be executed by the Owner of the affected Apartment or Apartments and by no other party, and such shall become effective upon the recordation and/or filing thereof in the Land Court and the Bureau. The provisions of Article XIII of the Declaration notwithstanding, such amendment shall not require the consent or joinder of the Owner of any other Apartment or any other person or entity, other than any mortgagee of such Apartment or Apartments which are changed or altered (if the mortgagee requires such consent or joinder). Every Apartment Owner and all holders of liens affecting any of the

Apartments of the Project and each and every other party acquiring an interest in the Project or any part thereof, by acquiring such Apartment, lien or other interest, consents to and agrees that he shall, if required by law or by any such Owner who shall have changed or altered an Apartment as aforesaid, join in, consent to, execute, deliver and file all instruments and documents necessary or desirable to effect the amendment of the Declaration and/or the Condominium Map; and appoints such Owner and his assigns his attorney-in-fact with full power of substitution to execute, deliver and file such documents and to do such things on his behalf, which grant of such power, being coupled with an interest, is irrevocable and shall not be affected by the disability of any such party.

* * * * *

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL RESTRICTIONS ON ALTERATIONS TO APARTMENTS CONTAINED IN THE PROJECT DOCUMENTS. WHILE A PURCHASER CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF RIGHTS AND OBLIGATIONS UNDER THE PROJECT DOCUMENTS, PURCHASER MUST REFER TO THE DECLARATION, BYLAWS AND HOUSE RULES TO DETERMINE THE PURCHASER'S ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE PROJECT DOCUMENTS, THE PROJECT DOCUMENTS WILL CONTROL.

EXHIBIT "E"

COMMON ELEMENTS

Capitalized terms have the same meaning ascribed to such terms in the Declaration.

One freehold estate is designated in the remaining portions of the Project that do not constitute Apartments, herein called the "Common Elements," including specifically but not limited to:

A. The Land in fee simple and any appurtenances thereto as described on Exhibit "A", subject, however, to the reserved rights of Developer herein affecting the Land;

B. All perimeter or party walls and the undecorated or unfinished surfaces thereof, any load-bearing walls and columns and the undecorated or unfinished surfaces thereof, all structural components such as foundations, concrete sidewalks and curbs, floor slabs, columns, girders, beams, supports, halls, corridors, elevators, elevator lobbies, escalators, exterior stairs and stairways, main walls, roofs and ceilings, that are not a part of an Apartment;

C. All perimeter doors, door frames, windows, window frames, planters (which are located on the outside of the lanais of certain Apartments), and all exterior hardware associated therewith, and the undecorated or unfinished interior surfaces thereof; whether at the perimeter of a Building Structure or at the perimeter of an Apartment, that are not a part of an Apartment;

D. All yards, park areas, grounds and landscaping, including the Private Park, Open Space and barbecue area(s), and all trash enclosures and loading areas within the Project;

E. All roads, driveways, access lanes, paved areas, ramps and walkways within the Project;

F. All parking areas shown on the Condominium Map, including, without limitation, the Parking Structure and parking stalls located therein, the guest parking stalls, the Parcel 37 Parking Area, and the loading spaces designated as "L-1" and "L-2" on the Condominium Map;

G. The swimming pool, whirlpool, deck areas, pavilions, cabanas and all other amenities and improvements to the common spaces, including the Fitness Center, pool deck and pool equipment pad;

H. The lobbies, exterior lobby lanai, reception desk, maintenance, utility and safety equipment rooms, restroom, trash room, mail room, and security office, secretarial area located on the lobby floor of the Project (provided that the use of such rooms or areas may change);

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

J. All unimproved areas, maintenance, mechanical, electrical, and storage areas and other similar areas, that are not part of an Apartment, as depicted on the Condominium Map;

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

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

EXHIBIT "F"

LIMITED COMMON ELEMENTS

Capitalized terms have the same meaning ascribed to such terms in the Declaration.

The Limited Common Elements are designated, set aside and reserved for the exclusive use of certain Apartments, and such Apartments shall have appurtenant thereto exclusive easements for the use of such Limited Common Elements as set forth in the Declaration. The costs and expenses of every description pertaining to the Limited Common Elements, including, but not limited to, the costs of maintenance, repair, replacement, improvement or additions to the Limited Common Elements, shall be charged to the Owner of the Apartment to which the Limited Common Element shall be appurtenant, and if there is more than one Apartment to which the Limited Common Element shall be appurtenant, then in proportion to the Common Interest appurtenant to each of the respective Apartments, unless a different method is adopted pursuant to Article IX of the Declaration. Limited Common Elements that are appurtenant to more than one Apartment shall be managed and maintained by the Association, acting by and through the Managing Agent, on behalf of the Owners of such Apartments. In any event that a dispute shall arise between Owners of Apartments to which a particular Limited Common Element shall be appurtenant with respect to the management and/or maintenance thereof, such dispute shall be resolved by the Managing Agent (acting for and on behalf of the Association), which shall be the sole arbiter with respect to such matters.

Each Apartment shall have appurtenant thereto, as Limited Common Elements:

- A. One or more parking stalls as shown on the Condominium Map and as designated and assigned to such Apartment by amendment and/or supplement to the Declaration, together with the storage unit, if any, located within the space above such parking stall(s) as shown on the Condominium Map;
- B. One or more lanai(s) adjacent to such Apartment as depicted on the Condominium Map.
- C. An assigned mailbox located in the "Mailroom", as depicted on the Condominium Map. Such mailbox shall be identified by the same number as the Apartment to which it is a Limited Common Element.

The Apartment identified as "Office Unit" on the Condominium Map (the "Office Apartment") shall have appurtenant thereto, as Limited Common Elements:

1. The four hundred twenty-seven (425) parking stalls located in the Parking Structure, together with all of the storage units located in such parking stalls, as depicted on the Condominium Map. Developer shall assign at least one (1) of such parking stalls to each Apartment in the Project for the exclusive use of such Apartment as provided in Article II, Section D.1 above; and
2. The Parcel 37 Parking Area.

EXHIBIT "G"

ENCUMBRANCES AGAINST TITLE

1. -AS TO ITEM I:-

-AS TO PARCEL SECOND:-

(A) DESIGNATION OF EASEMENT "A" (10 feet wide)

PURPOSE : utility
SHOWN : on Map 1 of Land Court Application No. 1561

(B) Easement for all underground utility purposes including sewer, under and within Easement "A" in favor of the owners of Lots 1, 2, 3 and 4 thereof.

(C) GRANT

TO : THE HAWAIIAN ELECTRIC COMPANY, LIMITED, now known as HAWAIIAN ELECTRIC COMPANY, INC., and HAWAIIAN TELEPHONE COMPANY, now known as HAWAIIAN TELCOM, INC.
DATED : September 6, 1957
FILED : Land Court Document No. 209104
GRANTING : an easement for utility purposes

(D) Rights of others who may own undivided interest(s), or have easement or access rights, in said parcel.

2. -AS TO ITEM II:-

-AS TO PARCEL FIRST:-

(A) DESIGNATION OF EASEMENT "A" (10 feet wide)

PURPOSE : utility
SHOWN : on Map 1 of Land Court Application No. 1561

(B) GRANT

TO : THE HAWAIIAN ELECTRIC COMPANY, LIMITED, now known as HAWAIIAN ELECTRIC COMPANY, INC., and HAWAIIAN TELEPHONE COMPANY, now known as HAWAIIAN TELCOM, INC.
DATED : September 6, 1957
FILED : Land Court Document No. 209104
GRANTING : an easement for utility purposes

(C) Easement for all underground utility purposes including sewer under and within Easement "A" in favor of the owners of Lots 1 to 6, inclusive, and Lot 8 thereof.

(D) The right, in common with others, entitled thereto, in favor of the owners of Lot 7-A-2, to connect to said Easement "A" under Lot 7-A-1 at the southeast corner of said Lot 7-A-1, being the common boundary of Lot 7-A-1 and 7-A-2, said right being for all underground utility purposes, including sewer, as contained in DEED dated May 24, 1958, filed as Land Court Document No. 216193.

- (E) The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : ENCROACHMENT AGREEMENT
DATED : February 19, 2002
FILED : Land Court Document No. 2781054
PARTIES : HAWAIIAN ELECTRIC COMPANY, INC. and ALTEKA
MANAGEMENT CO., LTD., a Japan corporation

(F) SETBACK (10 feet)

PURPOSE : building
SHOWN : on survey map prepared by James R. Thompson, Licensed
Professional Land Surveyor, with Walter P. Thompson, INC.,
dated July 26, 2005

(G) SETBACK (15 feet)

PURPOSE : building
SHOWN : on survey map prepared by James R. Thompson, Licensed
Professional Land Surveyor, with Walter P. Thompson, INC.,
dated July 26, 2005

3. -AS TO ITEM II:-

-AS TO PARCEL SECOND:-

(A) SETBACK (10 feet)

PURPOSE : building
SHOWN : on survey map prepared by James R. Thompson, Licensed
Professional Land Surveyor, with Walter P. Thompson, INC.,
dated July 26, 2005

(B) SETBACK (15 feet)

PURPOSE : building
SHOWN : on survey map prepared by James R. Thompson, Licensed
Professional Land Surveyor, with Walter P. Thompson, INC.,
dated July 26, 2005

4. -AS TO ITEM III:-

-AS TO PARCEL FIRST:-

- (A) Encroachments or any other matters as shown on survey map prepared by James R. Thompson, Licensed Professional Land Surveyor, with Walter P. Thompson, INC., dated July 26, 2005

(B) SETBACK (10 feet)

PURPOSE : building
SHOWN : on survey map prepared by James R. Thompson, Licensed
Professional Land Surveyor, with Walter P. Thompson, INC.,
dated July 26, 2005

(C) SETBACK (15 feet)

PURPOSE : building
SHOWN : on survey map prepared by James R. Thompson, Licensed Professional Land Surveyor, with Walter P. Thompson, INC., dated July 26, 2005

5. -AS TO ITEM III:-

-AS TO PARCEL SECOND:-

- (A) Reservation in favor of the State of Hawaii of all mineral and metallic mines.
- (B) The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : LIMITED WARRANTY DEED WITH COVENANTS
DATED : as of March 25, 2004
FILED : Land Court Document No. 3088120
RECORDED : Document No. 2004-060530

(C) SETBACK (15 feet)

PURPOSE : building
SHOWN : on survey map prepared by James R. Thompson, Licensed Professional Land Surveyor, with Walter P. Thompson, INC., dated July 26, 2005

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

INSTRUMENT : AGREEMENT FOR ISSUANCE OF CONDITIONAL USE PERMIT UNDER SECTION 21-5.380 OF THE LAND USE ORDINANCE (LUO)
DATED : December 21, 2004
FILED : Land Court Document No. 3216906
RECORDED : Document No. 2005-007344
PARTIES : MICROWAVE LLC, a Hawaii limited liability company, IRONGATE ALA WAI INVESTORS, LLC, a Hawaii limited liability company, 1609 ALA WAI LLC, a Hawaii limited liability company, and DRAGON VENTURES LLC, a Hawaii limited liability company

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

INSTRUMENT : TRANSFER OF DENSITY RIGHTS; DECLARATION OF RESTRICTIVE COVENANTS; AGREEMENTS; AND GRANT OF POWER OF ATTORNEY

DATED : January 7, 2005
FILED : Land Court Document No. 3216909
RECORDED : Document No. 2005-007347
PARTIES : DRAGON VENTURES LLC, a Hawaii limited liability company, and IRONGATE ALA WAI INVESTORS, LLC, a Hawaii limited liability company

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

INSTRUMENT : DECLARATION OF CONDOMINIUM PROPERTY REGIME FOR "THE WATERMARK" CONDOMINIUM PROJECT

DATED : August 15, 2005
FILED : Land Court Document No. 3317978
RECORDED : Document No. 2005-169603
MAPS : 1735 filed in the Office of the Assistant Registrar of the Land Court, and 4061 recorded in the Bureau of Conveyances, and any amendments thereto

Said Declaration was amended by instruments dated September 19, 2005, filed as Land Court Document No. 3329649, recorded as Document No. 2005-191162, and dated April 25, 2006, filed as Land Court Document No. 3425305, recorded as Document No. 2006-085243.

The Condominium Map was amended by instruments dated September 19, 2005, filed as Land Court Document No. 3329648, recorded as Document No. 2005-191161, and dated April 25, 2006, filed as Land Court Document No. 3425306, recorded as Document No. 2006-085244.

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

INSTRUMENT : BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS

DATED : August 15, 2005
FILED : Land Court Document No. 3317979
RECORDED : Document No. 2005-169604

Said Bylaws was amended by instrument dated April 25, 2006, filed as Land Court Document No. 3432717, recorded as Document No. 2006-097537.

10. MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT AND
FIXTURE FILING

MORTGAGOR : ALA WAI WATERMARK DEVELOPMENT LLC, a Delaware
limited liability company

MORTGAGEE : GMAC COMMERCIAL MORTGAGE BANK, an industrial bank
chartered under the laws of the State of Utah, as Agent for itself
and other lenders

DATED : November 23, 2005
FILED : Land Court Document No. 3358910
RECORDED : Document No. 2005-239471
AMOUNT : \$135,000,000.00

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

INSTRUMENT : ASSIGNMENT OF LEASES AND RENTS

DATED : November 23, 2005
RECORDED : Document No. 2005-239472
PARTIES : ALA WAI WATERMARK DEVELOPMENT, LLC, a
Delaware limited liability company (Assignor) and
GMAC COMMERCIAL MORTGAGE BANK, an
industrial bank chartered under the laws of Utah, as
agent for itself and other lenders (Agent)

12. For real property taxes due and owing your attention is directed to the Director of Finance, City and
County of Honolulu.

EXHIBIT "H"

ESTIMATED ANNUAL COMMON EXPENSE

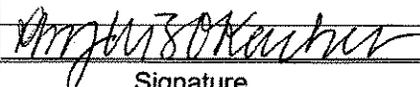
A copy of the Budget from the Managing Agent is attached.

Utilities and Services	Monthly Fee	Annual Fee
Electricity	\$8,500.00	\$102,000.00
TV Cable	\$7,200.00	\$86,400.00
Refuse	\$900.00	\$10,800.00
Sewer	\$9,540.00	\$114,480.00
Telephone	\$800.00	\$9,600.00
Water	\$4,300.00	\$51,600.00
Irrigation Water	\$2,700.00	\$32,400.00
Maintenance, Repairs, Supplies		
Building/Supplies/Repairs	\$1,500.00	\$18,000.00
Grounds	\$8,100.00	\$97,200.00
Tree Trimming	\$725.00	\$8,700.00
Pool/Spa	\$500.00	\$6,000.00
Elevator	\$4,500.00	\$54,000.00
Fire Systems	\$300.00	\$3,600.00
Equipment	\$2,600.00	\$31,200.00
Pest Control	\$400.00	\$4,800.00
Window Washing	\$900.00	\$10,800.00
Electrical/Lighting	\$800.00	\$9,600.00
Plumbing	\$500.00	\$6,000.00
Uniforms	\$50.00	\$600.00
Training	\$150.00	\$1,800.00
Housekeeping	\$4,000.00	\$48,000.00
Payroll & Benefits		
Resident/Building Manager	\$5,000.00	\$60,000.00
Housing Allowance	\$1,500.00	\$18,000.00
Office Asstd.	\$2,500.00	\$30,000.00
Maintenance, building	\$7,750.00	\$93,000.00
Worker's Comp	\$1,928.00	\$23,136.00
TDI	\$118.00	\$1,416.00
Health Insurance	\$2,400.00	\$28,800.00
Payroll Taxes	\$2,917.00	\$35,004.00
Payroll Preparation	\$200.00	\$2,400.00
Holiday Bonuses	\$1,000.00	\$12,000.00
Management		
Audit/Tax fees	\$150.00	\$1,800.00
Legal Fees	\$350.00	\$4,200.00
Management Fees	\$3,313.00	\$39,756.00
Consulting Fees	\$300.00	\$3,600.00
Admin. Services/Supplies	\$1,200.00	\$14,400.00
Meeting Expenses	\$150.00	\$1,800.00
GET/Other	\$50.00	\$600.00
Condo Registration	\$100.00	\$1,200.00
Security Service	\$29,000.00	\$348,000.00
Office Supplies	\$400.00	\$4,800.00
Insurance		
Property	\$9,081.00	\$108,972.00
Comp. General Liability	\$1,249.00	\$14,988.00
Umbrella	\$350.00	\$4,200.00
Directors and Officers	\$219.00	\$2,628.00

Utilities and Services	Monthly Fee	Annual Fee
Bond	\$39.00	\$468.00
Boiler & Machinery	\$483.00	\$5,796.00
Flood	\$2,970.00	\$35,640.00
Contingency	\$1,000.00	\$12,000.00
Total	\$134,682.00	\$1,616,184.00

I, Phyllis Kacher, as agent for/and/or employed by Hawaiiana Management Company, the condominium managing agent for The Watermark 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.

Pursuant to 514A-83.6, Hawaii Revised Statutes, a new association created after January 1, 1993 need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting. The Developer has not conducted a reserve study for the Project. The budget amount for Reserves is an estimate only.


Signature

5-8-06
Date

Estimate of Initial Maintenance FeeThe Watermark
(213 Units)

Apartment Number	Apartment Type	Common Interest	Monthly Fee	Yearly Total
101	Unit Office	0.066940%	\$90.16	\$1,081.87
201	A	0.488170%	\$657.48	\$7,889.73
202	B	0.453880%	\$611.29	\$7,335.54
203	BR	0.453880%	\$611.29	\$7,335.54
204	C.1	0.453880%	\$611.29	\$7,335.54
205	C.2	0.441230%	\$594.26	\$7,131.09
206	D	0.482050%	\$649.23	\$7,790.81
301	A	0.488170%	\$657.48	\$7,889.73
302	B	0.453880%	\$611.29	\$7,335.54
303	BR	0.453880%	\$611.29	\$7,335.54
304	C.1	0.453880%	\$611.29	\$7,335.54
305	C.2	0.441230%	\$594.26	\$7,131.09
306	D	0.482050%	\$649.23	\$7,790.81
401	A	0.488170%	\$657.48	\$7,889.73
402	B	0.453880%	\$611.29	\$7,335.54
403	BR	0.453880%	\$611.29	\$7,335.54
404	C.1	0.453880%	\$611.29	\$7,335.54
405	C.2	0.441230%	\$594.26	\$7,131.09
406	D	0.482050%	\$649.23	\$7,790.81
501	A	0.488170%	\$657.48	\$7,889.73
502	B	0.453880%	\$611.29	\$7,335.54
503	BR	0.453880%	\$611.29	\$7,335.54
504	C.1	0.453880%	\$611.29	\$7,335.54
505	C.2	0.441230%	\$594.26	\$7,131.09
506	D	0.482050%	\$649.23	\$7,790.81
601	A	0.488170%	\$657.48	\$7,889.73
602	B	0.453880%	\$611.29	\$7,335.54
603	BR	0.453880%	\$611.29	\$7,335.54
604	C.1	0.453880%	\$611.29	\$7,335.54
605	C.2	0.441230%	\$594.26	\$7,131.09
606	D	0.482050%	\$649.23	\$7,790.81
701	A	0.488170%	\$657.48	\$7,889.73
702	B	0.453880%	\$611.29	\$7,335.54
703	BR	0.453880%	\$611.29	\$7,335.54

Estimate of Initial Maintenance FeeThe Watermark
(213 Units)

Apartment Number	Apartment Type	Common Interest	Monthly Fee	Yearly Total
704	C.1	0.453880%	\$611.29	\$7,335.54
705	C.2	0.441230%	\$594.26	\$7,131.09
706	D	0.482050%	\$649.23	\$7,790.81
801	A	0.488170%	\$657.48	\$7,889.73
802	B	0.453880%	\$611.29	\$7,335.54
803	BR	0.453880%	\$611.29	\$7,335.54
804	C.1	0.453880%	\$611.29	\$7,335.54
805	C.2	0.441230%	\$594.26	\$7,131.09
806	D	0.482050%	\$649.23	\$7,790.81
901	A	0.488170%	\$657.48	\$7,889.73
902	B	0.453880%	\$611.29	\$7,335.54
903	BR	0.453880%	\$611.29	\$7,335.54
904	C.1	0.453880%	\$611.29	\$7,335.54
905	C.2	0.441230%	\$594.26	\$7,131.09
906	D	0.482050%	\$649.23	\$7,790.81
1001	A	0.488170%	\$657.48	\$7,889.73
1002	B	0.453880%	\$611.29	\$7,335.54
1003	BR	0.453880%	\$611.29	\$7,335.54
1004	C.1	0.453880%	\$611.29	\$7,335.54
1005	C.2	0.441230%	\$594.26	\$7,131.09
1006	D	0.482050%	\$649.23	\$7,790.81
1101	A	0.488170%	\$657.48	\$7,889.73
1102	B	0.453880%	\$611.29	\$7,335.54
1103	BR	0.453880%	\$611.29	\$7,335.54
1104	C.1	0.453880%	\$611.29	\$7,335.54
1105	C.2	0.441230%	\$594.26	\$7,131.09
1106	D	0.482050%	\$649.23	\$7,790.81
1201	A	0.488170%	\$657.48	\$7,889.73
1202	B	0.453880%	\$611.29	\$7,335.54
1203	BR	0.453880%	\$611.29	\$7,335.54
1204	C.1	0.453880%	\$611.29	\$7,335.54
1205	C.2	0.441230%	\$594.26	\$7,131.09
1206	D	0.482050%	\$649.23	\$7,790.81
1401	A	0.488170%	\$657.48	\$7,889.73

Estimate of Initial Maintenance FeeThe Watermark
(213 Units)

Apartment Number	Apartment Type	Common Interest	Monthly Fee	Yearly Total
1402	B	0.453880%	\$611.29	\$7,335.54
1403	BR	0.453880%	\$611.29	\$7,335.54
1404	C.1	0.453880%	\$611.29	\$7,335.54
1405	C.2	0.441230%	\$594.26	\$7,131.09
1406	D	0.482050%	\$649.23	\$7,790.81
1501	A	0.488170%	\$657.48	\$7,889.73
1502	B	0.453880%	\$611.29	\$7,335.54
1503	BR	0.453880%	\$611.29	\$7,335.54
1504	C.1	0.453880%	\$611.29	\$7,335.54
1505	C.2	0.441230%	\$594.26	\$7,131.09
1506	D	0.482050%	\$649.23	\$7,790.81
1601	A	0.488170%	\$657.48	\$7,889.73
1602	B	0.453880%	\$611.29	\$7,335.54
1603	BR	0.453880%	\$611.29	\$7,335.54
1604	C.1	0.453880%	\$611.29	\$7,335.54
1605	C.2	0.441230%	\$594.26	\$7,131.09
1606	D	0.482050%	\$649.23	\$7,790.81
1701	A	0.488170%	\$657.48	\$7,889.73
1702	B	0.453880%	\$611.29	\$7,335.54
1703	BR	0.453880%	\$611.29	\$7,335.54
1704	C.1	0.453880%	\$611.29	\$7,335.54
1705	C.2	0.441230%	\$594.26	\$7,131.09
1706	D	0.482050%	\$649.23	\$7,790.81
1801	A	0.488170%	\$657.48	\$7,889.73
1802	B	0.453880%	\$611.29	\$7,335.54
1803	BR	0.453880%	\$611.29	\$7,335.54
1804	C.1	0.453880%	\$611.29	\$7,335.54
1805	C.2	0.441230%	\$594.26	\$7,131.09
1806	D	0.482050%	\$649.23	\$7,790.81
1901	A	0.488170%	\$657.48	\$7,889.73
1902	B	0.453880%	\$611.29	\$7,335.54
1903	BR	0.453880%	\$611.29	\$7,335.54
1904	C.1	0.453880%	\$611.29	\$7,335.54
1905	C.2	0.441230%	\$594.26	\$7,131.09

Estimate of Initial Maintenance Fee

The Watermark
(213 Units)

Apartment Number	Apartment Type	Common Interest	Monthly Fee	Yearly Total
1906	D	0.482050%	\$649.23	\$7,790.81
2001	A	0.488170%	\$657.48	\$7,889.73
2002	B	0.453880%	\$611.29	\$7,335.54
2003	BR	0.453880%	\$611.29	\$7,335.54
2004	C.1	0.453880%	\$611.29	\$7,335.54
2005	C.2	0.441230%	\$594.26	\$7,131.09
2006	D	0.482050%	\$649.23	\$7,790.81
2101	A	0.488170%	\$657.48	\$7,889.73
2102	B	0.453880%	\$611.29	\$7,335.54
2103	BR	0.453880%	\$611.29	\$7,335.54
2104	C.1	0.453880%	\$611.29	\$7,335.54
2105	C.2	0.441230%	\$594.26	\$7,131.09
2106	D	0.482050%	\$649.23	\$7,790.81
2201	A	0.488170%	\$657.48	\$7,889.73
2202	B	0.453880%	\$611.29	\$7,335.54
2203	BR	0.453880%	\$611.29	\$7,335.54
2204	C.1	0.453880%	\$611.29	\$7,335.54
2205	C.2	0.441230%	\$594.26	\$7,131.09
2206	D	0.482050%	\$649.23	\$7,790.81
2301	A	0.488170%	\$657.48	\$7,889.73
2302	B	0.453880%	\$611.29	\$7,335.54
2303	BR	0.453880%	\$611.29	\$7,335.54
2304	C.1	0.453880%	\$611.29	\$7,335.54
2305	C.2	0.441230%	\$594.26	\$7,131.09
2306	D	0.482050%	\$649.23	\$7,790.81
2401	A	0.488170%	\$657.48	\$7,889.73
2402	B	0.453880%	\$611.29	\$7,335.54
2403	BR	0.453880%	\$611.29	\$7,335.54
2404	C.1	0.453880%	\$611.29	\$7,335.54
2405	C.2	0.441230%	\$594.26	\$7,131.09
2406	D	0.482050%	\$649.23	\$7,790.81
2501	A	0.488170%	\$657.48	\$7,889.73
2502	B	0.453880%	\$611.29	\$7,335.54
2503	BR	0.453880%	\$611.29	\$7,335.54

Estimate of Initial Maintenance Fee

The Watermark
(213 Units)

Apartment Number	Apartment Type	Common Interest	Monthly Fee	Yearly Total
2504	C.1	0.453880%	\$611.29	\$7,335.54
2505	C.2	0.441230%	\$594.26	\$7,131.09
2506	D	0.482050%	\$649.23	\$7,790.81
2601	A	0.488170%	\$657.48	\$7,889.73
2602	B	0.453880%	\$611.29	\$7,335.54
2603	BR	0.453880%	\$611.29	\$7,335.54
2604	C.1	0.453880%	\$611.29	\$7,335.54
2605	C.2	0.441230%	\$594.26	\$7,131.09
2606	D	0.482050%	\$649.23	\$7,790.81
2701	A	0.488170%	\$657.48	\$7,889.73
2702	B	0.453880%	\$611.29	\$7,335.54
2703	BR	0.453880%	\$611.29	\$7,335.54
2704	C.1	0.453880%	\$611.29	\$7,335.54
2705	C.2	0.441230%	\$594.26	\$7,131.09
2706	D	0.482050%	\$649.23	\$7,790.81
2801	A	0.488170%	\$657.48	\$7,889.73
2802	B	0.453880%	\$611.29	\$7,335.54
2803	BR	0.453880%	\$611.29	\$7,335.54
2804	C.1	0.453880%	\$611.29	\$7,335.54
2805	C.2	0.441230%	\$594.26	\$7,131.09
2806	D	0.482050%	\$649.23	\$7,790.81
2901	A	0.488170%	\$657.48	\$7,889.73
2902	B	0.453880%	\$611.29	\$7,335.54
2903	BR	0.453880%	\$611.29	\$7,335.54
2904	C.1	0.453880%	\$611.29	\$7,335.54
2905	C.2	0.441230%	\$594.26	\$7,131.09
2906	D	0.482050%	\$649.23	\$7,790.81
3001	A	0.488170%	\$657.48	\$7,889.73
3002	B	0.453880%	\$611.29	\$7,335.54
3003	BR	0.453880%	\$611.29	\$7,335.54
3004	C.1	0.453880%	\$611.29	\$7,335.54
3005	C.2	0.441230%	\$594.26	\$7,131.09
3006	D	0.482050%	\$649.23	\$7,790.81
3101	A	0.488170%	\$657.48	\$7,889.73

Estimate of Initial Maintenance FeeThe Watermark
(213 Units)

Apartment Number	Apartment Type	Common Interest	Monthly Fee	Yearly Total
3102	B	0.453880%	\$611.29	\$7,335.54
3103	BR	0.453880%	\$611.29	\$7,335.54
3104	C.1	0.453880%	\$611.29	\$7,335.54
3105	C.2	0.441230%	\$594.26	\$7,131.09
3106	D	0.482050%	\$649.23	\$7,790.81
3201	A	0.488170%	\$657.48	\$7,889.73
3202	B	0.453880%	\$611.29	\$7,335.54
3203	BR	0.453880%	\$611.29	\$7,335.54
3204	C.1	0.453880%	\$611.29	\$7,335.54
3205	C.2	0.441230%	\$594.26	\$7,131.09
3206	D	0.482050%	\$649.23	\$7,790.81
3301	A	0.488170%	\$657.48	\$7,889.73
3302	B	0.453880%	\$611.29	\$7,335.54
3303	BR	0.453880%	\$611.29	\$7,335.54
3304	C.1	0.453880%	\$611.29	\$7,335.54
3305	C.2	0.441230%	\$594.26	\$7,131.09
3306	D	0.482050%	\$649.23	\$7,790.81
3401	A	0.488170%	\$657.48	\$7,889.73
3402	B	0.453880%	\$611.29	\$7,335.54
3403	BR	0.453880%	\$611.29	\$7,335.54
3404	C.1	0.453880%	\$611.29	\$7,335.54
3405	C.2	0.441230%	\$594.26	\$7,131.09
3406	D	0.482050%	\$649.23	\$7,790.81
3501	A	0.488170%	\$657.48	\$7,889.73
3502	B	0.453880%	\$611.29	\$7,335.54
3503	BR	0.453880%	\$611.29	\$7,335.54
3504	C.1	0.453880%	\$611.29	\$7,335.54
3505	C.3	0.518370%	\$698.15	\$8,377.81
3601	A	0.488170%	\$657.48	\$7,889.73
3602	B	0.453880%	\$611.29	\$7,335.54
3603	BR	0.453880%	\$611.29	\$7,335.54
3604	C.1	0.453880%	\$611.29	\$7,335.54
3605	C.4	0.518370%	\$698.15	\$8,377.81
3701	A	0.488170%	\$657.48	\$7,889.73

Estimate of Initial Maintenance FeeThe Watermark
(213 Units)

Apartment Number	Apartment Type	Common Interest	Monthly Fee	Yearly Total
3702	B	0.453880%	\$611.29	\$7,335.54
3703	BR	0.453880%	\$611.29	\$7,335.54
3704	C.I	0.453880%	\$611.29	\$7,335.54
3705	C.4	0.518370%	\$698.15	\$8,377.81
3801	A	0.488170%	\$657.48	\$7,889.73
3802	B	0.453880%	\$611.29	\$7,335.54
3803	BR	0.453880%	\$611.29	\$7,335.54
3804	PH.I	0.764500%	\$1,029.64	\$12,355.73
3901	PH.2	1.929210%	\$2,598.30	\$31,179.58
Total		100.000000%	\$134,682.00	\$1,616,184.00

EXHIBIT "I"

SUMMARY OF PURCHASE AGREEMENT

There are two specimen Deposit, Receipt, Reservation And Purchase Agreements ("Purchase Agreement" or "Sales Contract"), in order to comply with two discrete exemptions from federal Department of Housing and Urban Development, Interstate Land Sales Registration program, as described in Code of Federal Regulations (C.F.R.) sections 1710.5 and 1710.6. One Sales Contract applies to the first ninety-nine (99) units sold, while the second Sales Contract applies to all units subsequently sold (100+). The principal substantive distinction between the two contracts is that the second Sales Contract requires the Developer to complete construction of the Apartments within two (2) years of the purchaser signing the Sales Contract. The Developer currently plans to use only the 100+ sales contract after an effective date for the Final Public Report is issued.

Both Sales Contracts contain, among others, the following terms and provisions (which may be modified or otherwise limited by provisions not summarized hereinbelow):

A. The purchase and sale of the Apartment under the Agreement is not subject to Purchaser obtaining a loan to fund any part or all of the Purchase Price. Purchaser understands that Purchaser is responsible to pay the full amount of the Purchase Price and all other amounts due by the terms of the Agreement when due whether or not purchaser obtains a loan.

B. The Seller (Developer) has engaged Title Guaranty Escrow Services, Inc. ("Escrow") to handle Purchaser's funds and to close the transaction in accordance with the terms of the Agreement. All payments to be made under the Agreement shall be paid by Purchaser to Escrow pursuant to the Escrow Agreement.

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

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

E. The Purchase Price does not include closing costs which include among other things, the escrow fee, cost of preparation of the Apartment Deed, real property tax proration and other customary proration, all acknowledgment fees, conveyance taxes, title insurance, if requested by Purchaser, cost of any lender's title insurance, appraisal fees, costs for drafting of any notes and mortgages, all filing costs or fees, loan fees, credit report costs and all other applicable mortgage costs. Purchaser shall also pay a start-up fee equal to two (2) months of the estimated maintenance fees in advance, and an additional fee equal to two (2) months of the estimated reserves as part of such closing costs, as provided in the Agreement.

F. The agreement shall become binding when (i) a true copy of the contingent final public report or final public report, as applicable, together with the receipt and notice of right to cancel form prescribed by section 514A-62 of the Hawaii Revised Statutes, as amended, is delivered to purchaser; (ii) purchaser has been given an opportunity to read said report(s), and (iii) purchaser has executed the receipt and notice of right to cancel form (which execution shall conclusively indicate that purchaser has read the applicable public report) and has waived purchaser's right to cancel, or is deemed to have receipted for the applicable public report and to have waived purchaser's right to cancel (purchaser shall be deemed to have receipted for the applicable public report and to have waived his right to cancel if purchaser does not execute and return the receipt and notice of right to cancel within thirty (30) days from the date of delivery of the applicable public report, or if the apartment is conveyed to purchaser prior to the expiration of said thirty (30) day period). In the event this agreement is cancelled, seller shall cause escrow to refund payments previously made by purchaser without interest, less any escrow cancellation fees and other costs.

G. Purchaser agrees that it will not assign the Agreement, or sell the Apartment, or advertise the Apartment for sale prior to closing under the Agreement, and any assignment or sale attempted by purchaser prior to closing is void.

H. Seller may use funds deposited with Escrow to pay for certain construction and other expenses of the Project prior to closing of the sale. Purchaser acknowledges and agrees that, upon issuance of an effective date for the Final Public Report, Seller is authorized to use Purchaser's deposits in Escrow for the construction of the Project and for other expenses of the Project, as set forth in the Escrow Agreement and in accordance with Hawaii statutory requirements pertaining to the use of purchasers' funds prior to closing.

I. Seller has or will also enter into an agreement with the general contractor for the Project whereby the general contractor will agree to provide, for the benefit of Seller, a warranty to correct any work found defective within one (1) year after the date of substantial completion of the Project. Seller does not make any express or implied warranties but merely passes on the contractors' warranties to Purchaser. Developer disclaims any implied warranty of habitability, any implied warranty of merchantability, any implied warranty of fitness for a particular purpose or use, any implied warranty of workmanship and any other express or implied warranties, with respect to the apartments, the Project, the common elements thereof, or as to any appliances and furnishings contained within the apartments or the Project.

J. Purchaser understands and acknowledges that the land underlying the Project Land may have been used previously for industrial and other operations and in connection therewith, oils and similar materials, among other things, may have affected the Land or adjacent lands. Purchaser understands and acknowledges that Purchaser will be acquiring the Land in "AS IS" condition at the time of Closing.

K. Purchaser is purchasing a completed Apartment. Seller is not improving the Apartment (and appurtenances, if any) to the precise specifications or design or any illustration, depiction, model unit displayed to or visited by Purchaser. Purchaser acknowledges that none of the apartments (and appurtenances, if any) within the Project are being built to the specifications of any purchaser.

L. Purchaser shall not be entitled to possession of the Apartment as the owner thereof until Purchaser has completed all required payments and has executed all documents relating to the purchase, and Purchaser has performed the remaining terms and conditions of the Agreement which are to be performed as of the Closing. Delivery of possession of the Apartment to Purchaser shall be deemed to have occurred when Seller notifies Purchaser that the Apartment is thenceforward available for Purchaser's use and possession. Unless otherwise decided in Seller's sole discretion, delivery of possession shall not occur prior to the later to occur of either (a) Escrow's recordation of Purchaser's Apartment Deed, or (b) the issuance of a temporary or permanent certificate of occupancy for the Apartment (or for the building in which the Apartment is located).

M. Once the Agreement becomes binding on Purchaser, if Purchaser defaults in making any payment when required, or fails to perform any other obligation required of Purchaser under the Agreement, the Agreement may, at Seller's option, be terminated by written notice to Purchaser. As a reasonable estimate of Seller's fair compensation for any damages resulting from such default, the parties agree that the sums paid by Purchaser as deposits under the Agreement shall belong to Seller as liquidated damages. Seller shall also have the right to pursue any remedies available to it in law or in equity, including, without limitation, the right to sue for specific performance. In such event, Seller shall be entitled to be reimbursed for its attorney's fees and costs.

N. Notices to either party may be delivered personally or mailed by certified mail, or express mail, postage prepaid with return receipt requested.

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

P. Purchaser has examined and approved the estimate of monthly maintenance charges for the Property as shown in the Public Report. Purchaser is aware that such amounts are only estimates and may change for reasons beyond the control of Seller, and Purchaser hereby specifically accepts and approves any such changes.

Q. Purchaser expressly acknowledges, consents to and approves all of the disclaimers, disclosures, and other matters described in the Agreement, including Exhibit "1" thereto, and Purchaser assumes any and all risks in connection with each of those matters.

R. Purchaser understands that Seller will be seeking financing to construct the Apartment and the Project. Seller's lender may require that forty percent (40%) of the apartments in the Project (85 apartments) be sold prior to either closing the loan or disbursing proceeds for construction purposes. Accordingly, notwithstanding anything provided to the contrary, this Agreement and Seller's obligations hereunder are subject to and conditioned upon Seller entering into binding sales contracts for eighty-five (85) apartments in the Project that are required by Seller's lender.

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

* * * * *

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

EXHIBIT "J"

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement for the Project dated July 29, 2005 ("Agreement") contains the following provisions (which may be modified or otherwise limited by provisions which are not summarized hereinbelow):

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

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

C. Notwithstanding anything in the Agreement to the contrary, Escrow shall make no disbursements of Purchasers' funds or proceeds from the sale of apartments in the Project (including any payments made on loan commitments from lending institutions), except by way of refunds thereof as provided in the Agreement, until (a) the Real Estate Commission has issued an effective date for a Final Public Report for the Project, and (b) Escrow has received a written confirmation from Seller stating that the purchasers have signed the required Receipt and Notice of Right to Cancel or are deemed to have accepted for the public report(s) and to have waived their right to cancel, and stating further that no subsequent events have occurred which would give the purchasers the right to rescind, the Purchase Agreements have "become binding" and "the requirements of Sections 514A-39.5, 514A-40 and 514A-63 of the Hawaii Revised Statutes have been met, as said phrases are used in Section 514A-65 of the Hawaii Revised Statutes, and further, that the requirements of Section 514A-62 of the Hawaii Revised Statutes have been met, as each of the foregoing sections may be amended on the date the Purchase Agreement becomes binding and effective. Seller agrees to inform Escrow promptly in writing of the development of any event or occurrence which renders the written confirmation delivered by Seller pursuant to this paragraph untrue in any material respect.

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

1. Escrow receives a written request from Seller to return to the purchaser the funds of the purchaser then being held hereunder by Escrow;
2. Seller notifies Escrow in writing of Seller's exercise of the option to rescind the Purchase Agreement pursuant to any right of rescission stated therein or otherwise available to Seller;

3. The conditions providing for a refund under Section 514A-62 or under Section 514A-63 of the Hawaii Revised Statutes (as amended on the date upon which the Purchase Agreement becomes binding and effective) have been met, and written notice thereof has been provided by Seller.

Upon the cancellation of any Purchase Agreement as specified above, Escrow shall be entitled to a cancellation fee up to a maximum of \$250.00, as described in Exhibit "A" of the Agreement, plus all costs incurred by Escrow, which shall be paid by the Purchaser.

E. Except as otherwise provided by law, Escrow shall give each purchaser entitled to a return of his or her funds notice thereof by certified or registered mail, addressed to such purchaser at his address shown on the Purchase Agreement or any address later made known to Escrow by such purchaser. If such purchaser shall not have claimed such refund within one hundred twenty (120) days from the date said notice is mailed, Escrow shall deposit such funds into a special account in a bank or other depository selected by Escrow in the name of Seller, as trustee for the benefit of such purchaser. After having sent Seller written notice of the foregoing acts, Escrow shall thereupon be released from further liability hereunder with respect to such funds and such purchaser.

F. If the Purchaser fails to make any payment on or before the due date thereof or if the Purchaser does or fails to do any act which would constitute an event of default under the Purchase Agreement, Escrow shall promptly give to such Purchaser and to Seller, written notice of default. If Purchaser has failed to cure the default after the delivery of notice by Escrow and such default continues after the expiration of any grace period, Escrow shall so advise Seller. If Seller shall thereafter certify in writing to Escrow: (1) that Seller has elected to terminate the Purchase Agreement and has notified the Purchaser, or (2) that Purchaser is otherwise in default, then, and in either event, Escrow, subject to the provisions relating to dispute and conflicting demands set forth in paragraph 14 of the Agreement, shall thereafter treat all funds of the Purchaser paid under such Purchase Agreement, less Escrow's cancellation fee, as funds of Seller and not of the Purchaser. Thereafter, such funds shall be held free of the escrow established by the Agreement and shall be held by Escrow for the account of Seller. Upon written request by Seller, Escrow shall pay such funds (less Escrow's cancellation fee).

* * * * *

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

EXHIBIT "K"

SUMMARY OF DEED FORM

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

A. The premises conveyed comprises a portion of The Watermark condominium property regime situate at the City and Honolulu of Honolulu, State of Hawaii.

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

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

D. Purchaser agrees and consents to the exercise by Grantor of any of its reserved rights set forth in the Deed and in the Declaration, and Purchaser agrees to sign such documents and do such things as may be required to permit Grantor to exercise those reserved rights, including the signing, delivery and filing of all documents which may be necessary. Purchaser appoints Grantor as Purchaser's "attorney-in-fact" which means that Grantor can act for Purchaser or on Purchaser's behalf, with "full power of substitution," which means that someone else may take Grantor's place to sign, deliver and file all documents and to do all things on Purchaser's behalf, which grant of authority, being coupled with an interest, means that the Grantor has an interest beyond just in the power Purchaser is giving, cannot be revoked by Purchaser for the term of the reserved rights, and will not be affected by Purchaser's disability.

E. Purchaser appoints the Association of Apartment Owners of The Watermark ("Association") as Purchaser's "attorney-in-fact," to act for Purchaser or on Purchaser's behalf, with full right and power (i) to receive and accept on Purchaser's behalf, any legal notices required by Chapter 501, Hawaii Revised Statutes, as amended, and to receive service of process (legal papers) on Purchaser's behalf in connection with any Land Court petitions or other legal proceedings in the Land Court of the State of Hawaii, and (ii) to exercise such rights and perform such obligations, if any, that the Purchaser may have with respect to those certain density rights referred to in Article XXVI of the Declaration, which power of attorney shall, to the fullest extent permitted by law, survive the transfer, if any, of such rights and obligations by Developer to the Association pursuant to the rights reserved to Grantor and described in said Article XXVI. The grant of this power of attorney is also coupled with an interest, which means that the Association has an interest beyond just the power the Purchaser is giving, it cannot be revoked by the Purchaser for the term of Purchaser's ownership of the Property, and will not be affected by Purchaser's disability.

F. Purchaser covenants and agrees, for the benefit of the Grantor, its successors and assigns, that the Purchaser and the Purchaser's family, lessees, tenants, servants, guests, invitees, licensees, employees, or other persons who may occupy or otherwise use the Project or the Apartment with the Purchaser's permission will, at all times, observe, perform, comply with and abide by all of the covenants, agreements, obligations, conditions and other provisions set forth in the Declaration, the Bylaws, and this Deed, and the Purchaser covenants to indemnify, hold harmless and defend the Grantor for any failure to so comply with, observe and perform any such covenant, condition, restriction or other provision contained in that certain Declaration, the Bylaws, and/or this Deed.

G. Purchaser, for the Purchaser and for the Purchaser's family, lessees, tenants, servants, guests, invitees, licensees, employees, or other persons who may occupy or otherwise use the Project, the Apartment, or improvements to the Project or the Apartment, acknowledges and agrees that the Declaration contains various

reservations in favor of the "Declarant" (and the Grantor) under the foregoing declaration, as well as disclosures, covenants, undertakings, waivers of rights, disclaimers, limitations, requirements and restrictions, all of which are binding upon all owners of Apartments within the Project and which are detailed in the Declaration and include, but are not limited to: (i) specific provisions detailing and disclosing various adverse environmental hazards, conditions or circumstances, etc., which may affect the Project and the Apartment, and providing for the Purchaser's acceptance of the possibility of the occurrence of the same, assumption of the risk of such occurrence and damage attributable thereto, and the express waiver of all claims against the Grantor and others arising out of or in connection with such adverse conditions or circumstances, including the right to seek damages or the abatement or elimination thereof, and (ii) specific provisions reserving by or on behalf of the Grantor, and/or others various rights and easements affecting the Project and the Apartment, and the Grantor the right to make specific grants thereof without joinder by the Purchaser or Purchaser's mortgagee.

H. Purchaser on behalf of Purchaser and Purchaser's successors and assigns agrees that in the event Purchaser or any other person with an interest in the Project or the Property shall have any claim or cause of action arising out of or in any way related to this Apartment Deed, the Declaration (and any and all rules, regulations and Supplemental Declarations promulgated pursuant to the foregoing, and the enforcement thereof), the design, or orientation of the Apartment and related facilities as they relate to exposure to the sun, moisture, mold and/or wind and/or adjacent properties, the development, construction, quality, sales, marketing, disclosures concerning, financing, or delivery of the Project, all of which are incorporated herein by this reference, or any other aspect of or activity with respect to the Project or the Property (herein collectively the "Covered Matters"), against Grantor and/or any of the Covered Parties defined in the Declaration, such claim or cause of action (a "Dispute") whether such dispute is based on contract, tort, or statute, including, without limitation, any dispute described in the Declaration, whether such Dispute arises before or after the recording of this Apartment Deed, shall be resolved by binding, final arbitration in accordance with the Federal Arbitration Act (9 U.S.C. § 1, et seq.) now in effect and as the same may from time to time be amended, to the exclusion of any different or inconsistent state or local law, ordinance, regulation, or judicial rule, by and pursuant to the rules of Dispute Prevention and Resolution, Inc., or if not then in existence, the American Arbitration Association ("DPR") in accordance with its rules in effect at the time of the initiation of the arbitration (sometimes the "Arbitration" or "arbitration") after it shall have first been submitted to the process of "Negotiation" and "Mediation" defined in the Declaration, and not by a court of law.

* * * * *

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

EXHIBIT "L"

FORM OF PARKING STALL ADDENDUM

The Watermark
Parking Stall Addendum

This Addendum amends that certain Deposit, Receipt, Reservation and Purchase Agreement (the "Sales Contract"), reference dated _____, by and between Ala Wai Watermark Development, LLC ("Seller") and _____ ("Purchaser") for the purchase of Apartment No. _____ ("Apartment") at The Watermark condominium.

Seller and Purchaser agree that parking stall nos. ____ and ____ are included in the purchase of Apartment No. _____. [Purchaser is aware that parking stall no. ____ is a compact size parking stall as reflected on the Condominium Map No. 1735 and 4061.]

All other terms and conditions of the Sales Contract shall remain in full force and effect. The undersigned acknowledges receipt of a fully completed copy of this Addendum.

Purchaser:

Date: _____

Date: _____

Accepted by Seller:

Ala Wai Watermark Development, LLC

Name:

Its: