

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer: WARREN GEORGE KRAMER III, LORRAINE JEAN KRAMER and SILVAS BEACH INVESTMENTS LLC, dba SUNSET DKG
Address: 61-718 Papailoa Road, Haleiwa, Hawaii 96712

Project Name(*): Pupukea Sunset
Address: 59-564 Pupukea Homestead Road, Haleiwa, Hawaii 96712

Registration No. 6030 (Conversion)
Effective date: June 30, 2006
Expiration date: July 30, 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 the project or purchasing an apartment in the project.

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

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

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

Type of Report:

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

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

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

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

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

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

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:

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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 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: WARREN GEORGE KRAMER III* Phone (808) 371-4179
Name (Business)
c/o 61-718 Papiloa Road,
Business Address
Haleiwa Hawaii 96712

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):

* LORRAINE JEAN KRAMER and
SILVAS BEACH INVESTMENTS LLC, dba SUNSET DKG

Real Estate Dower Realty Inc. Phone: (808) 735-8838
Broker*: Name (Business)
1114 11th Avenue
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*: N/A Phone:
Name (Business)
Business Address

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

Attorney for Yamamoto & Settle
Developer: Scott W. Settle, Esq. Phone: (808) 526-4730
Name (Business)
900 Fort Street Mall, Suite 1110
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. 2006-102344 (-2006-102345)
Book _____ Page _____
 Filed - Land Court: Document No. _____

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

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

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. 4242
 Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2006-102346 (-2006-102347)
Book _____ Page _____
 Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

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

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

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>75%</u>
Bylaws	67%	<u>67%</u>
House Rules	---	<u>---</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.

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: 59-564 Pupukea Homestead Road Tax Map Key (TMK): (1) 5-9-028-012
Haleiwa, Hawaii 96712

Address TMK is expected to change because _____

Land Area: 87,974 (approx.) square feet acre(s) Zoning: Country

Fee Owner: Warren George Kramer III and Lorraine Jean Kramer
 Name
c/o 61-718 Papailoa Road
 Address
Haleiwa, Hawaii 96712

Note: The owners of the property entered into that certain unrecorded Development Agreement dated July 11, 2005 with Silvas Beach Investments LLC, dba Sunset DKG, as Developer.

Lessor: _____
 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: 2 Floors Per Building: 1

Exhibit ___ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood (Redwood lumber)

Other _____

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>2</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes	<input checked="" 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: A reasonable number of dogs, cats or other animals are permitted on the property which do not constitute a "pest" under HRS, Section 150A-2, as may be amended, or animals prohibited from importation under HRS, Section 141-2, 150A-5 or 150A-6, as may be amended, on his/her unit, provided that the keeping of such animals is restricted to the limited common areas appurtenant to such unit and does not cause excessive noise or otherwise disturb the quiet enjoyment of any other unit owner in the project.

Number of Occupants: _____

Other: Family child care homes (see Exhibit B)

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: _____ Stairways: _____ Trash Chutes: _____

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
Unit 59-564	<u>1</u>	<u>1/1</u>	<u>732</u>	<u>108</u>	<u>Deck</u>
Unit 59-564A	<u>1</u>	<u>1/1</u>	<u>475</u>	<u>432</u>	<u>Deck</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 2

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

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

Boundaries of Each Apartment:

The outside surfaces of the exterior walls and roof and the bottom surfaces of the footings and foundations of each structure.

Permitted Alterations to Apartments:

See Exhibit C.

Apartments Designated for Owner-Occupants Only:

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

7. Parking Stalls:

Total Parking Stalls: 4

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		TOTAL
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned		<u>4</u>					
Guest							
Unassigned							
Extra for Purchase							
Other: _____							
Total Covered & Open:		<u>4</u>					<u>4</u>

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

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

8. Recreational and Other Common Facilities:

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

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):

See architect's certificate attached hereto as Exhibit D.

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:

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 _____.

as follows:

Each unit and its owner(s) shall have appurtenant thereto an undivided 50.00 percentage (50.00%) interest in the common elements of the project, for all purposes including voting and allocation of all common profits and expenses of the project.

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 May 19, 2006 and issued by Fidelity National Title Insurance Company.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of 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>
1) Mortgage dated March 2, 2006 Recorded as Document No. 2006-043598 in favor of Bank of Hawaii.	If the Lender forecloses on the mortgage, a purchaser will receive a full refund of all deposits, less escrow cancellation fee.

F. **Construction Warranties:**

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

1. Building and Other Improvements:

Developer is not giving any warranties on the materials or workmanship of the buildings or other improvements in the project. Both units are being sold as-is.

2. Appliances:

Developer is not giving any warranties on the appliances in the project. Both units are being sold as-is.

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

Unit 59-564 was completed in 1972.

Unit 59-564-A was completed in 1972.

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

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

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

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

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

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

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

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 Septic System

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 March 30, 2006
Exhibit J contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

- A) The Developer delivers to the buyer a copy of:
 - 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
 - 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
- B) The buyer is given an opportunity to read the report(s); **AND**
- C) One of the following has occurred:
 - 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - 3) The apartment is conveyed to the buyer within 30 days 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 given an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended.
- D) House Rules, if any.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other: _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the sales agent, if any. The Condominium Property Regime Law (Chapter 514A, HRS) and the Administrative Rules (Chapter 107) are available online. Please refer to the following sites:

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

This Public Report is a part of Registration No. 6030 filed with the Real Estate Commission on June 13, 2006.

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C. **Additional Information Not Covered Above**

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

2. The specimen Sales Contract provides in part that the buyer understands the units are being sold "as is" and without any warranties. The existence of any defect in the structures or anything installed thereon shall not excuse the buyer's obligation to perform all of his obligations under his/her contract.

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

1. Warren George Kramer III
Printed Name of Developer

By: Warren G Kramer III 5/12/06
Duly Authorized Signatory* Date

Warren G Kramer, III MD - Owner

Printed Name & Title of Person Signing Above

2. Lorraine Jean Kramer
Printed Name of Developer

By: Lorraine Jean Kramer 5/14/06
Duly Authorized Signatory* Date

LORRAINE JEAN KRAMER - Co-OWNER

Printed Name & Title of Person Signing Above

2. Silvas Beach Investments LLC, dba Sunset DKG
Printed Name of Developer

By: Rudy Dvorak 5/14/06
Duly Authorized Signatory* Date

RUDY DVORAK MANAGER

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

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

EXHIBIT A

Developer's Reservations

Section 16(b) of the Declaration reserves the developer's rights to further develop the project as follows:

"(i) So long as Declarant (and its successor and assigns) owns a unit in the Project, it shall have the right without the joinder of any other owner or any other person at any time and from time to time to further develop, construct and place buildings and other improvements on such unit, including, but not limited to the Fence, and to remove or otherwise relocate the improvements, including, but not limited to any parking stalls, on such unit, subject to the provisions of Section 16(a) above. In addition, so long as Declarant (and its successor and assigns) owns a unit in the Project, Declarant shall have the right to modify, adjust, relocate and grant existing or new easements across the Project for the purpose of providing access, utilities or otherwise developing improvements on the units.

(ii) Declarant shall have the right, without being required to obtain the consent or joinder of any person, including any unit owner or any lien holder, or any other person who may have an interest in the property or the Land: (a) to execute and deliver (on behalf of all of the owner and their respective mortgagees, if necessary) applications, petitions, agreements and other instruments which the Declarant deems necessary or desirable (including without limitation, documents to be filed or recorded with the Department of Planning and Permitting of the City and County of Honolulu, the Bureau, other governmental agencies, public utility companies or private parties); (b) to deliver documents and to take such actions in connection therewith as shall be in the sole and absolute discretion of Declarant, and the delivery of such instrument or the taking of such action shall be sufficient determination; (c) to adjust property boundary lines, provided that such adjustments do not reduce the net area of each unit below one (1) acre, nor the compliance of such unit with relevant setback requirements; and (d) to grant easements for access and utility purposes in favor of the either unit across the Land and for access and utility purposes in favor of the remaining portion of the Land across either unit.

(iii) To the extent that joinder of any owner or lien holder or other person who may have any interest in the property or the Land may be required in order to validate any amendment of this Declaration or the Condominium Map or any such instrument of conveyance for the purposes set forth in this Section 16 such joinder shall be accomplished by an irrevocable power-of-attorney in favor of the Declarant from each of the other owners, lien holders or such other parties, the acquiring or acceptance of ownership in a unit of a lien covering a unit or of any other interest in the Project or the property subject to this declaration being a grant of such power, and the grant being coupled with an interest, being irrevocable."

EXHIBIT B

Family Child Care Home Restrictions

Section 5.3(f) of the Bylaws provides the following restrictions with respect to family child care homes:

“(e) A family child care home may be operated on any unit of the Project provided it complies with the requirements set forth in HRS, Section 502C. Any family child care home on the Project must also comply with the Americans with Disabilities Act and be operated by an owner-occupant of the unit to which it is appurtenant. Prior to the establishment of a family child care home on any unit of the Project, the operator of the home must agree in writing to:

(1) Indemnify, hold harmless, and defend the Association against all claims, including costs and attorneys’ fees, whether brought by judicial or administrative action, relating to the operation of a family child care home as well as to common elements that are traversed by persons going to and from the family child care home, if any;

(2) Reimburse the Association for the amount of any increase in the Association’s liability insurance premiums attributable by the insurer to the operation of the family child care home;

(3) Require the parent, guardian, and caretaker of the child being cared for in the family child care home to sign a waiver of claims for liability against the Association, however such waiver need not be notarized; and

(4) Obtain liability insurance to cover the family child care home and the common elements of the Project that meets the approval of the Association and that names the Association as an additional named insured, for liability claims arising solely from the operation of the child care business, provided that: (a) the policy limit required shall not exceed \$1,000,000 in coverage per provider; and (b) the liability policy of the family child care home shall be the sole remedy for any injury occurring to the child subject to the care of the family child care home, and the parent, guardian or caretaker of a child subject to the care of the family child care home.

Notwithstanding anything contained herein to the contrary, the Association may prohibit the establishment of the family child care home in the event that coverage for the family child care home is excluded from any insurance policy held by the Association and an alternative source of liability coverage for the same risk or risk is unavailable.”

EXHIBIT C

Descriptions and Permitted Alterations to Apartments

Section 16(a) of the Declaration permits alterations to apartments in the project as follows:

“(a) **Alteration of Buildings on Individual Units.** Notwithstanding anything to the contrary contained in this Declaration, but subject to all Applicable Laws, individual unit owners shall have the right, at their sole discretion to alter, modify, renovate, remodel, improve, replace or restore the interior of any building located within his/her unit. Except as provided in this Declaration, individual unit owners shall have the right, at their sole discretion and without the consent or permission of other unit owners in the Project or the Association, to renovate, remodel, make additions to, enlarge, remove, replace or restore the improvements to their unit or portions thereof, or to make improvements upon the limited common element land area appurtenant to the unit (collectively, the foregoing are referred to as "alterations"), provided such alterations are permitted by and done in complete accordance with this Declaration and all Applicable Laws in force at the time such alterations are made. All alterations made by a unit owner pursuant hereto are subject to the following conditions:

(i) All building plans prepared in connection with any such alterations shall conform with all applicable City and County of Honolulu building and zoning ordinances.

(ii) No improvements shall be constructed outside the limited common element land area appurtenant to the unit, except as provided in Section 6(c), 16(a)(iv) or as otherwise approved by the Association. All newly-constructed improvements (exclusive of fences, walls and/or driveways) shall maintain a minimum setback of fifteen (15) feet from the front property line of the Project (which abuts Pupukeya Homestead Road), ten (10) feet from the side and rear property lines of the Project and five (5) feet from the Limited Common Element Boundary Line, or such greater distance as may be required by applicable zoning ordinances. No alteration to a unit will be made if the effect of such alteration would be to exceed the unit's proportionate share of the allowable floor area and/or lot area coverage for the land upon which the Project is located, as defined by the applicable zoning ordinances in effect when the alteration is to be made. Pursuant hereto, each unit's proportionate share of the buildable floor area and/or lot area coverage shall be the same as its common interest share (as defined in Paragraph 5 herein).

(iii) All such alterations shall be at the expense of the unit owner making the alterations, and shall be expeditiously made and in a manner that will not unreasonably interfere with any other unit owner's use of its limited common element land area.

(iv) The owner of an altered unit shall have the right to utilize, relocate and realign existing appurtenant installations and/or to develop additional appurtenant installations for services to the unit affected by such alterations for electricity, water, sewer and other utilities and services and, when applicable, to add, delete, relocate, realign, designate, and grant easements and rights-of-way over, under and on the common elements and/or any limited common elements benefiting more than one unit as necessary or desirable in connection therewith; provided that the same shall not cause any interruption in the service of such utilities to any other part of the Project. To the extent that any such alterations require improvements to be made to the Cesspool, e.g. to upgrade it to a septic system, the owner of the unit to be altered shall be solely responsible for undertaking such improvements, including all costs incurred by the same. If the approval of the other unit owner is required in order to make such improvements to the Cesspool, such approval shall not be unreasonably withheld, denied or delayed by the other unit owner. The unit owners shall cooperate with each other to maintain service of the Cesspool to each unit during and subsequent to making such improvements to the Cesspool.

(v) The owner of any altered unit shall have the right and duty, without the consent or joinder of any other person, to amend and shall be required to amend this Declaration and the Condominium Map to reflect any such alterations. If required by the Act, then promptly upon completion of such alterations, the owner of the altered unit shall duly record an amendment to this Declaration with the Bureau of Conveyances of the State of Hawaii, together with a complete set of floor plans and elevations of the Project as so altered, certified as built by a registered architect or professional engineer. Pursuant hereto, all unit owners and their mortgagees, by acquiring an interest in a unit, shall be deemed

to have been granted power of attorney from all other unit owners to execute an amendment to this Declaration solely for the purpose of describing the alterations to their respective units. This power of attorney shall be deemed coupled with each owner's interest in its unit and shall be irrevocable.

(vi) No alteration or addition shall be made to a unit and no addition shall be placed upon the limited common element land area appurtenant to such unit if the effect of such alteration or addition would be to create more than one (1) dwelling unit, as defined by the City and County of Honolulu, upon or within such unit or land area.

(vii) Each and every conveyance, lease and mortgage or other lien made or created on any unit and all common interests and other appurtenances thereto shall be subject to the provisions of this section and any lease of a unit or its appurtenant land area shall reserve to all unit owners the rights set forth in this section."

In addition to the above, Sections 2(a) and (b) of the Declaration states the following with respect to what the units of the Project currently consist of and what alterations are permitted for each unit, respectively:

(a) "Dwelling Unit 59-564" shall consist of the following:

(1) a one-story, detached dwelling, approximately seven hundred thirty-two (732) square feet in net living area, containing one bedroom, one full bathroom, a kitchen, a living room, an office, a family room, and an attached deck area of approximately one hundred and eight (108) square feet;

(2) any and all other future improvements which may be constructed on the limited common element land area appurtenant to Dwelling Unit 59-564 by the owner thereof. To the extent allowed under Applicable Laws (defined below), the owner of Dwelling Unit 59-564 is permitted to build, modify, alter, reconstruct and maintain on the limited common element land area appurtenant to such unit (inclusive of existing improvements) not more than one (1) single-family dwelling and such other related structures or improvements it desires (provided that such single-family dwelling contains no more than three (3) bedrooms, unless otherwise permitted under Applicable Laws) and all other improvements and structures comply with the provisions of this Declaration, the Act and all applicable buildings codes and zoning ordinances of the City and County of Honolulu, as may be amended (collectively, the "Applicable Laws"). The right to secure the building permit for and construct such single-family dwelling and other structures and improvements vests solely with the owner of Dwelling Unit 59-564 and shall not require the consent or approval of the other owners of the Project (unless the Applicable Laws require otherwise), and the costs and expenses of any such future construction shall be borne solely by the owner of Dwelling Unit 59-564. The owner of Dwelling Unit 59-564 shall have the unilateral right, without the consent, approval or joinder of the other owners of the Project, to amend this Declaration for the purpose of updating the description of Dwelling Unit 59-564 and attaching the applicable plans and specifications of such single-family dwelling or other structures and improvements to the Condominium Map, as further specified in Section 16(a)(v) of this Declaration.

(b) "Dwelling Unit 59-564A" shall consist of:

(1) a one-story detached dwelling, approximately four hundred seventy-five (475) square feet in net area, containing one bedroom, one full bathroom, a kitchen/living room and an attached deck area of approximately four hundred thirty-two (432) square feet; and

(2) any and all future improvements which may be constructed on the limited common element land area appurtenant to Dwelling Unit 59-564A by the owner thereof. To the extent allowed under Applicable Laws, the owner of Dwelling Unit 59-564A is permitted to build, modify, alter, reconstruct and maintain on the limited common element land area appurtenant to such unit (inclusive of existing improvements) not more than one (1) single-family dwelling and such other structures or improvements it desires (provided that such single-family dwelling contains no more than two (2) bedrooms, unless otherwise permitted under Applicable Laws) and all other improvements and structures comply with the provisions of this Declaration and all Applicable Laws. The right to secure the building permit for and construct such single-family dwelling and other structures and improvements vests solely with the owner of Dwelling Unit 59-564A and shall not require the consent or approval of the other owners of the Project (unless the Applicable Laws require otherwise), and the costs and expenses of any such future construction shall be borne solely by the owner of Dwelling Unit 59-564A. The owner of Dwelling Unit 59-564A shall have the unilateral right, without the consent, approval or joinder of the other owners of

the Project, to amend this Declaration for the purpose of updating the description of Dwelling Unit 59-564A and attaching the applicable plans and specifications of such single-family dwelling or other structures and improvements to the Condominium Map, as further specified in Section 19 of this Declaration.

EXHIBIT D

Architect's Certificate

[See attached]

FROM: EDWARD A. REEA
Licensed Professional Architect No. 3239

DATE: FEB. 24, 2006

On the above-referenced date, I made a limited visual inspection of the structures and plumbing and electrical systems of the PUPUKEA SUNSET condominium project (the "Project").

From discussions with the Developer and Owner and from my own observations during this inspection, the buildings in the Project appear to have been built more than 20 years ago. My observations resulting from my inspection are:

1. Subject to normal wear and tear commensurate with its age, each of the buildings appears to be in good structural condition consistent with their age.
2. Subject also to normal wear and tear, the electrical and plumbing systems are operable and in good working order consistent with their age.

My inspection was limited and did not include by way of example the condition of the soils or roofing or evidence of termite or other pests on the Project.

I have been informed that the Developer will be disclaiming any warranties relating to the construction, materials, design or workmanship of the building, soil or the common elements of the Project, except that the Developer will be transferring the appliances and the electrical and plumbing fixtures in normal working condition consistent with their age. Accordingly, I am not making any statement or representation as to the remaining useful life of the items referenced above. Further, my visual inspection should not be a substitute for a more complete inspection by a prospective buyer of a unit in the Project. A prospective buyer is urged to understand the importance of making his own investigation or having an investigation made by trained professionals of the unit and the Project.

Very truly yours,

EDWARD A. REEA
(Name)
Licensed Professional Architect No. 3239

EXHIBIT E

Common Elements

Section 3 of the Declaration describes the common elements of the Project as follows:

"One freehold estate is hereby designated of all the remaining portions of the Project, herein referred to as "common elements". Each unit owner may use the common elements in accordance with the purpose for which they were intended without hindering or encroaching upon the lawful rights of the other unit owners. Common elements include specifically, but are not limited to, the following:

- (a) The land underlying the Project, in fee simple;
- (b) All ducts, facilities, equipment, wiring, pipelines, transmission lines and other central and appurtenant installations for common services, if any, including power, light, water, gas, sewage, irrigation, telephone and cable television; and
- (c) Any and all other elements and facilities rationally in common use or necessary to the existence, upkeep and safety of the Project.
- (d) The Primary and Secondary Cesspool, as identified on the Condominium Map, and any and all ducts, facilities, equipment, wiring, pipelines transmission lines and other central and appurtenant installations related thereto (collectively, the "Cesspool").
- (e) The fence ("Fence") located, or to be located, along the boundary line running between Dwelling Unit 59-564 and Dwelling Unit 59-564A (the "Limited Common Element Boundary Line").

The common elements remain undivided, and no right shall exist to partition or divide any part thereof, except as provided in the Act. Any such partition or division shall be subject to the prior consent thereto by the holder(s) of all mortgage(s) of any unit(s) which are filed of record."

EXHIBIT F

Limited Common Elements

Section 4 of the Declaration describes the limited common elements of the project as follows:

Certain parts of the common elements, herein referred to as the "limited common elements", are hereby designated and set aside for the exclusive use of one (1) or more units (subject to the provisions of this Declaration), and such unit(s) shall have appurtenant thereto exclusive easements for the use of such limited common elements, subject to the provisions of this Declaration and the Bylaws, as defined below. The limited common elements so set aside and reserved are as follows:

(a) That certain land area upon and around which Dwelling Unit 59-564 is located, shown and designated on the Condominium Map as "Dwelling Area 59-564" and being approximately 44,197 square feet in area, which includes two parking stalls, is deemed a limited common element appurtenant to and for the exclusive use of "Dwelling Unit 59-564", subject, however, to the provisions of this Declaration.

(b) That certain land area upon and around which Dwelling Unit 59-564A is located, shown and designated on the Condominium Map as "Dwelling Area 59-564A" and being approximately 43,777 square feet in area, which includes two parking stalls, is deemed a limited common element appurtenant to and for the exclusive use of Dwelling Unit 59-564A, subject, however, to the provisions of this Declaration.

Each unit owner is responsible for landscaping and maintaining in a neat and attractive condition all trees, shrubs, grass and ground-cover and replant the same as may be necessary, on all parts of the limited common elements appurtenant to each owner's respective unit. All costs of every kind pertaining to the aforesaid limited common elements, including, but not limited to, costs of landscaping, maintenance, repair, replacement and/or improvement, shall be borne solely by the owner(s) of the unit(s) to which such limited common elements are appurtenant, subject, however, to the provisions of this Declaration.

EXHIBIT G

Encumbrances Against Title

(Per title report prepared by Fidelity National Title Insurance Company dated as of May 19, 2006)

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. Setback (5 feet wide) for road purposes along Pupukea Homestead Road as shown on File Plan No. 933.
3. A mortgage to secure an indebtedness as shown below, and any other obligations secured thereby

Amount: \$769,000.00
Dated: March 2, 2006
Loan No: 2197537
Mortgagor: Warren George Kramer, III and Lorraine Jean Kramer, husband and wife
Mortgagee: Bank of Hawaii, a Hawaii corporation
Recorded: March 7, 2006, in the Bureau of Conveyances of the State of Hawaii, Document No. 2006-043598
4. Condominium Map No. 4242, recorded in Bureau of Conveyances of the State of Hawaii.
5. Covenants, conditions, and restrictions (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as contained in the following:

Declaration of Condominium Property Regime of "PUPUKEA SUNSET"

Dated: April 27, 2006
Recorded: June 1, 2006, in the Bureau of Conveyances of the State of Hawaii, Document No. 2006-102344.

Joinder, Consent and Subordination thereto recorded as Document No. 2006-102345.
6. By-Laws of the Association of Apartment Owners of "PUPUKEA SUNSET", dated April 27, 2006, recorded June 1, 2006, in the Bureau of Conveyances of the State of Hawaii, Document No. 2006-102346.

Joinder, Consent and Subordination thereto recorded as Document No. 2006-102347.
7. Real property taxes as may be due and owing. Check with the County Tax Assessor.

EXHIBIT H

ESTIMATE OF INITIAL MAINTENANCE FEES

AND

ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

June 1, 2006 to May 31, 2007
As Prepared by Developer

Estimated Annual Disbursements:

1/	Water/Sewer.....	\$ 400
2/	Electricity.....	\$ ____
3/	Fire Insurance.....	\$ ____
	Fidelity Bond.....	\$ ____
4/	Reserves.....	\$ ____
5/	Management Fee.....	\$ ____
	Administrative Expenses.....	\$ ____
6/	Common Elements Maintenance.....	\$ ____
	TOTAL ANNUAL EXPENSES	\$ 400

<u>Estimated Monthly Disbursements:</u>	\$ 33.33
<u>Estimated Monthly Maintenance Fee for Each Apartment:</u>	\$ 16.67

- Notes: 1/ All utilities will be separately metered or submetered or otherwise charged, and the common elements will incur no separate utility charges.
- 2/ Section 514A-86, Hawaii Revised Statutes, requires the Association of Apartment Owners to purchase fire insurance to cover the improvements of the Project, and that premiums be common expenses. Developer anticipates that the Association will elect to permit individual apartment owners to obtain and maintain separate policies of fire insurance to cover the improvements of the Project, and that premiums be common expenses. Developer anticipates that the Association will elect to permit individual apartment owners to obtain and maintain separate policies of fire insurance and name the Association as an addition insured. In such case, fire insurance premiums will be the responsibility of individual apartment owners and not common expenses.
- 3/ Developer discloses that no reserve study was done in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.
- 4/ The estimated cost of maintaining the septic system for the Project (which is noted in item 1 above) is based on a bi-annual pumping of the system. The actual annual cost will depend upon the actual usage of the system and, in turn, the number of times per year the system will need to be pumped out. It is currently anticipated that the expense of maintaining the septic system will be assessed on unit owners, based upon the proportion of the common interest appurtenant to their respective unit, on an as-needed basis.
- 5/ The Project will be self managed by the Association of Apartment Owners.

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EXHIBIT H

ESTIMATE OF INITIAL MAINTENANCE FEES

AND

ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

(continued)

I, RUDY DVORAK, as agent for/and/or employed by SILVAS BEACH INVESTMENTS LLC, a Hawaii limited liability company, dba Sunset DKG, the developer for the Pupukea Sunset Condominium Project, hereby certify that the estimates of initial maintenance fee assessments and maintenance fee disbursements on the previous page were prepared in accordance with generally accepted accounting principles.

SILVAS BEACH INVESTMENTS LLC, a Hawaii limited liability company, dba Sunset DKG

By: Rudy Dvorak
RUDY DVORAK
Its Manager

EXHIBIT I

SPECIMEN SALES CONTRACT

SUMMARY OF THE PROVISIONS OF THE SALES CONTRACT (consisting of Standard DROA form and attached Special Provisions Addendum to the DROA (the "Sales Contract"))

1. Description of the Property to be Conveyed: Fee simple title to the unit, together with the furnishings and appliances and an undivided interest in the common elements.
2. Purchase Price and Terms. The purchase price set forth on page 1 of the DROA is to be paid as follows:
 - a. An initial deposit;
 - b. An additional cash deposit, if any;
 - c. The balance of the purchase price is to be paid to escrow by purchaser before closing.
3. Financing of Purchase. Paragraph C-24 of the DROA Form (if selected) provides if Buyer desires financing, a loan application must be made within a certain number of days and if Buyer's application is not approved within a certain number of days after the application, then Buyer may cancel the Sales Contract. Upon such cancellation, Buyer's deposits will be refunded by escrow without interest.
4. Seller's Rights to Cancel Sales Contract. The Seller may cancel the Sales Contract with the Buyer if: (a) Buyer fails to qualify for a permanent loan (if Paragraph C-24 of the DROA Form is selected); (b) Buyer defaults under the Sales Contract (paragraph 5.2 of the Special Provisions Addendum); or (c) Buyer dies prior to Closing Date (paragraph 5.1 of the Special Provisions Addendum). Pursuant to Paragraph 5.2 of the Special Provisions Addendum, if Buyer fails to close as required, then after ten (10) days following Seller's notice of Buyer's default, if Buyer has not cured his default under the Sales Contract, the Seller may cancel the Sales Contract and all sums previously paid by Buyer will belong absolutely to the Seller as liquidated damages. Additionally, Seller may pursue any other remedy, and all costs, including reasonable attorney's fees, incurred by reason of default by the Buyer shall be borne by the Buyer. Time is the essence of the Sales Agreement.
5. Rights of Buyer to Cancel the Sales Contract. The Buyer has the right to cancel the Sales Contract under the following conditions:
 - a. At any time within thirty (30) days following the date the Final Public Report is delivered to Buyer. If Buyer so cancels, Buyer will be entitled to receive refund of any deposits, less any escrow cancellation fees and other costs up to \$250. If Buyer does not act within the thirty (30) day period, or if the Apartment is conveyed to the Buyer, Buyer will be deemed to have executed the receipt for the Final Public Report and to have waived his right to cancel (paragraphs 6.1 and 6.3 of the Special Provisions Addendum).
 - b. If there is a material change in the Project which directly, substantially and adversely affects the use or value of the Buyer's unit or the amenities available for the Buyer's use (paragraph 7.1 of the Special Provisions Addendum).
 - c. Buyer fails to qualify for permanent financing (if Paragraph C-24 of the DROA Form has been selected).
6. Buyer's Examination of Documents. Paragraph 10 of the Special Provisions Addendum provides that the Buyer acknowledges that he or she has examined (and agrees to be bound) by the following:
 - a. The floor plans for the project;
 - b. Escrow Agreement
 - c. The Declaration of Condominium Property Regime, By-Laws of the Association of Apartment Owners;
 - d. The Apartment Deed;
 - e. Disclosure Abstract, if any; and
 - f. The Final or Supplementary Public Report

7. Property Sold "As Is". Paragraph 12 of the Special Provisions Addendum contains an "as is" clause whereby Seller disclaims all warranties relating to construction, design, materials or workmanship of the apartment being sold. Buyer is cautioned to have his own inspection of the property and the unit he/she intends to purchase.

EXHIBIT J

SUMMARY OF PERTINENT PROVISIONS OF THE ESCROW AGREEMENT

The following is a summary of the Condominium Escrow Agreement between the Declarant and Title Guaranty Escrow Services, Inc. ("Escrow"):

1. *All Deposits Will be Paid to Escrow.* All payments received by Declarant from purchasers under sales contracts covering units in the Project will be paid over to Escrow, along with a copy of the relevant sales contract. Any interest earned on funds deposited in Escrow will accrue as specified in the sales contract.

2. *Conditions to Disbursement of Funds by Escrow.* Escrow will not disburse any funds until the following conditions have been fulfilled:

- a. The Real Estate Commission has issued a final public report for the Project must be issued;
- b. Declarant or Declarant's attorney has given a written opinion to Escrow stating that all of the requirements of Hawaii Revised Statutes ("HRS"), Sections 514A-38, 62 and 63, as applicable to the Project, have been met and that all sales contracts delivered to Escrow have become effective and are binding upon the purchaser;
- c. Declarant has given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract;
- d. Declarant has delivered to Escrow an architect's certificate stating that the Project is in compliance with the Federal Fair Housing Amendment Act of 1988; and
- e. Escrow has closed the purchaser's sales contract in accordance with Section 6 of the Escrow Agreement.

3. *Return of Purchaser's Funds and Documents.* A purchaser will be entitled to a return of such purchaser's funds, unless otherwise provided in the Escrow Agreement, together with any interest which may have accrued to the credit of the purchaser upon the occurrence of any of the following:

- a. Declarant and purchaser have given Escrow a written request to return funds held by Escrow to the purchaser;
- b. Declarant has notified Escrow of its exercise of the option to cancel or rescind the sale contract pursuant to any right of cancellation or rescission provided in the such sales contract or otherwise available to the Declarant;
- c. The purchase notifies Escrow of its exercise of its right to cancel the sales contract pursuant to HRS, Section 514A-62; or
- d. The purchase notifies Escrow of its exercise of its right to rescind the sales contract pursuant to HRS, Section 514A-63.

Upon the occurrence of any of the events listed above, Escrow shall pay funds to the purchaser (less an Escrow cancellation fee commensurate with the work done by Escrow prior to such cancellation, up to a maximum of \$250.00), unless purchaser has waived or has been deemed to have waived the right to a refund, provided however, that prior to any refund pursuant to the purchaser's request, the Declarant must receive notice of Escrow's intent to make such refund.

4. *Purchaser's Default.* If purchaser fails to make payments to escrow on or before their respective due dates or otherwise fails to perform in any matter handled by Escrow, Escrow will notify Declarant of such failure on the purchaser's part. If Declarant subsequently certifies in writing to Escrow that Declarant has terminated the sales contract in accordance with the terms thereof and provides Escrow with copies of all notices of termination sent to the purchaser, Escrow shall thereafter treat all funds of the purchaser paid on account of such purchaser's sales contract as funds of the Declarant. Thereafter, such funds will not be subject to the Escrow Agreement and will be held by Escrow for the Declarant's account, until the Declarant provides a written request for disbursement of such funds. Upon receipt of such request, Escrow will pay such funds to the Declarant, less any escrow cancellation fee.