

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer BLACK PEARL SOURCE CORPORATION

Address 66-218 Kamehameha Highway Haleiwa, Hawaii 96712

Project Name(*): "BLACK PEARL SOURCE" Address: 66-218 Kamehameha Highway, Haleiwa, Hawaii 96712

Registration No. 6049 (Conversion) Effective date: November 21, 2006 Expiration date: December 21, 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.
FINAL (white) The developer has legally created a condominium and has filed complete information with the Commission.
SUPPLEMENTARY (pink) This report updates information contained in the: 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:

SPECIAL ATTENTION

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

1. This public report does not constitute approval of the Project by the Real Estate Commission, or any other government agency, nor does it ensure that all applicable County codes, ordinances and subdivision requirements have been complied with.
2. Facilities and improvements normally associated with county approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owner and emergency traffic, drainage facilities, etc., may not necessarily be provided for, and services such as County street maintenance and trash collection will not be available for interior roads and driveways.
3. Access to the property is by means of a shared driveway with the adjacent property owner. No formal agreement with the adjacent property owner has been entered into regarding the shared driveway. See page 20 for further information.

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

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General Information on Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without a 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:

Black Pearl Source Corporation Name* Phone: (808) 637-7776 (Business)
66-218 Kamehameha Highway 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):
Ben Thompson, President
Isabelle Yao, Vice President

Real Estate Broker*:

Abe Lee Realty, LLC Name Phone: (808) 942-4472 (Business)
1585 Kapiolani Blvd., Suite 1533 Business Address
Honolulu, Hawaii 96814

Escrow:

Integrity Escrow and Title Company Name Phone: (808) 447-6007 (Business)
333 Queen Street, Suite A Business Address
Honolulu, Hawaii 96813

General Contractor*:

N/A Name Phone: (Business)
Business Address

Condominium Managing Agent*:

Self-Managed by Association of Apartment Owners Name Phone: (Business)
Business Address

Attorney for Developer:

Jennifer A. Aquino, AAL ALC Name Phone: (808) 526-9400 (Business)
1188 Bishop Street, Suite 3009 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. 2006-118541
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]:

Amendment to the Declaration of Condominium Property Regime of Black Pearl Source dated September 27, 2006, recorded October 3, 2006, as Document No. 2006-181428.

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. 4276
 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]:

Amendment to the Declaration of Condominium Property Regime of Black Pearl Source dated September 27, 2006, recorded October 3, 2006, as Document No. 2006-181428.

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. 2006-118542
Book _____ Page _____
 Filed - Land Court Document No. _____

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

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

The House Rules for this condominium are:

Proposed 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	65%	<u>65%</u>
House Rules	—	<u>N/A</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: 66-218 Kamehameha Highway Tax Map Key (TMK) : (1) 6-2-005-020
Haleiwa, Hawaii 96712

Address TMK is expected to change because Individual CPR numbers will be assigned to
each unit.

Land Area: 15,039 square feet acre(s) Zoning: R-5

Fee Owner:

Black Pearl Source Corporation
Name
66-218 Kahemameha Highway
Address
Haleiwa, Hawaii 96712

Lessor: n/a

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: Four Floors Per Building: One Floor each building

Exhibit "B" contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other Wood, Glass, and Asphalt Shingle roofing

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Uses Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>3</u>	<input checked="" type="checkbox"/> Yes*	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Commercial	<u>1</u>	<input type="checkbox"/> Yes	<input checked="" 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 type="checkbox"/> Other	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No

* Existing Use Permit (2004/EU-21) was granted December 10, 2004. See Exhibit "K"

** The commercial use portion of Unit A is a nonconforming use.

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: _____

Number of Occupants: _____

Other: _____

There are no special restrictions.

6. Interior (fill in appropriate numbers):

Elevators: None Stairways: None Trash Chutes: None

<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>
<u>Unit A</u>	<u>1</u>	<u>3/1</u>	<u>1,220</u>	<u>949</u> <u>400</u>	<u>Store</u> <u>Carport</u>
<u>Unit B</u>	<u>1</u>	<u>3/1</u>	<u>1,024</u>	<u>70</u> <u>200</u>	<u>Stairs</u> <u>Garage</u>
<u>Unit C</u>	<u>1</u>	<u>3/1</u>	<u>1,024</u>	<u>60</u> <u>150</u>	<u>Laundry</u> <u>Garage</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Apartments: 3

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

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

Boundaries of Each Apartment:

See Exhibit "B"

Permitted Alterations to Apartments:

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.

See Exhibit "L"

7. Parking Stalls:

Total Parking Stalls: 10

	<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>	
Unit B:	1	1					
A:	2						
Assigned Store: (for each unit)	0	4			C: 1	1	10
Guest							
Unassigned							
Extra for Purchase							
Other:							
Total Covered & Open:	8		0		2		10

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.

* Note: The Store, which is part of Unit A, has the exclusive use of four(4) open parking stalls.

Commercial parking garage permitted in condominium project.

Exhibit _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

There are no recreational or common facilities.

Swimming Pool Storage Area Recreation Area

Laundry Area Tennis Court Trash Chute/Enclosure(s)

Other: _____

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):

In accordance with the report, dated June 1, 2006, prepared by Roscoe O. Ford, Structural Engineer, a copy of which is attached as Exhibit "D", the structures are in the condition commensurate with their age.

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:

Existing Use Permit (2004/EU-21) to allow the 3 single-family detached dwellings was granted on December 10, 2004. See Exhibit "K"

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 does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	_____	X (store)*	_____
Structures	_____	X*	_____
Lot	X	_____	_____

*See Letter dated January 6, 2005 issued by Dept. of Planning & Permitting attached as Exhibit "E"

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 _____.

as follows:

- (a) The Land in fee simple.
- (b) All pipes, wires, conduits, cesspool systems, and other utility and service lines which are utilized for or serve all of the Units.
- (c) Any and all other apparatus and installations of common use, and all other parts of the Project necessary or convenient to its existence, maintenance, and safety, or normally in common use.

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

There are no limited common elements in this project.

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

described in Exhibit "F" *.

as follows:

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

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

described in Exhibit _____.

as follows:

The Units have the following interest in the common elements:

Unit A: 50%*

Unit B: 25%

Unit C: 25%

*Note: The Developer has reserved the right to divide Unit A into 2 separate units consisting of the dwelling unit and the retail building, and split the percentage of common interest between the two newly created units. See Exhibit "A" for further details.

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 June 9, 2006 and issued by Integrity Escrow and Title Company, Inc.

Blanket Liens:

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

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage	Buyer's interest may be terminated and Buyer may be entitled to a refund less any escrow cancellation fees.

F. Construction Warranties:

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

1. Building and Other Improvements:

None, units will be sold "as is"

2. Appliances:

None, units will be sold "as is"

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

The dwelling structure of Unit A was constructed in 1947 and the retail store was constructed in 1949. Units B and C were constructed in 1952.

H. **Project Phases:**

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

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:

[X] Notice to Owner Occupants. See Exhibit "L"

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

[X] Escrow Agreement dated June 19, 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 sale contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

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

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

A) The Developer delivers to the buyer a copy of:

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

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

C) One of the following has occurred:

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

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

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

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

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

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

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's 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. 6049 filed with the Real Estate Commission on June 28, 2006

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

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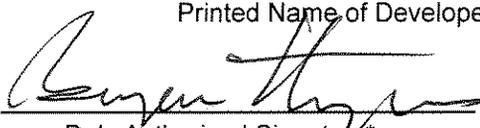
C. **Additional Information Not Covered Above**

1. **Hazardous Materials** - The developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Buyer acknowledges that in light of the age of the Project, there may be asbestos and other hazardous substances in the apartments, or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment inspected to determine the extent (if any) of such contamination and any necessary remedial action. The developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the developer from any liability to Buyer if any hazardous materials are discovered.
2. **Lead Warning Statement** - Pursuant to federal law, 42, U.S.C 4852(d), the Residential Lead-Based Paint Reduction Act, "Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase."
3. **Existing Use Permit (2004//EU-21)**. Prospective purchasers are advised that the project is subject to the conditions contained in the existing use permit. A copy of the permit is attached hereto as Exhibit "K". Prospective purchasers understand that their ability to alter, repair, add to, relocate, or reconstruct their unit is subject to the conditions contained in the existing use permit. Prospective purchasers are advised to carefully read the existing use permit and consult with appropriate professionals or experts if they have any questions about doing any work to the unit. Prospective purchasers are also advised to review the Declaration and Condominium Map, as amended, for restrictions specific to Unit A and/or the Store. If Unit A and/or the Store is replaced or rebuilt, the structure must be build outside the "12 ft. building setback line" shown on the Condominium Map.
4. **Variance Application**. On May 9, 2006, the Developer filed an application for a zoning variance (File No. 2006/VAR-19) to allow a nonconforming retail store in an R-5 Residential District. The application is pending before the Department of Planning and Permitting, City and County of Honolulu.
5. **Shared Driveway with Adjacent Property/Easement Area**. Disclosure is hereby made that no formal agreement exists with the adjacent property owner regarding the shared driveway which provides access to the Units from Kamehameha Highway. Access to the Units is provided by non-exclusive easement over the portions of the limited common elements appurtenant to Units A and B. As a requirement of the Existing Use Permit (2004/EU-21) referred to in #3, above, the Declaration, as amended, provides that if either Unit A or the Store is replaced or rebuilt, it must be rebuilt outside the "12 ft. building setback line" as shown on the Condominium Map, as amended, thereby increasing the easement area over Unit A's limited common element area to 12-feet wide. Prospective purchasers are advised to carefully review the Declaration and the Condominium Map, as amended, to determine the exact size and location of the easement area and the requirements imposed by the Existing Use Permit.
6. **Cesspool systems**. Disclosure is made that Units B and C have individual cesspool systems and each Unit will be responsible for the maintenance of their individual cesspool systems. Unit A has a separate cesspool system servicing the residential building and the retail store.

- 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.

Black Pearl Source Corporation

 Printed Name of Developer

By:  JUN 19 2006
 Duly Authorized Signatory* Date

Ben Thompson, Its President

 Printed Name & Title of Person Signing Above

By:  JUN 19 2006
 Duly Authorized Signatory* Date

Isabelle Yao, Its Vice President

 Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

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

DEVELOPER'S RESERVED RIGHTS TO CHANGE PROJECT DOCUMENTS

Pursuant to Section O of the Declaration, notwithstanding the sale and conveyance of any Unit, the Developer may amend the Declaration, the By-Laws, and/or the Condominium Map to effect any changes or amendments required by law, any title insurance company, or any institutional mortgagee, or as may be required by any governmental agency, provided, however, that no amendment made by the Developer as provided for in Section O, that would change the common interest of a Unit, or materially change the design or size of a Unit, or the limited common elements appurtenant thereto, shall be made by the Developer without the consent of all persons having an interest in such Unit.

In addition, at anytime prior to the first recording in the Office of the Assistant Registrar of the Land Court, and/or the Bureau of Conveyances, State of Hawaii, as the case may be, of a conveyance or transfer of a Unit in the Project to any person other than the Developer, the Developer may amend the Declaration, and any of the Exhibits thereto, the By-Laws, and/or the Condominium Map in any manner, without the consent of any purchaser or any other party.

The Developer also reserves the right at any time prior to the closing of the last sale of a Unit in the Project owned by the Developer: (i) to grant easements over, across, and under the common elements, including, without limitation, easements for utilities, sanitary and storm sewers, cable television, walkways, roadways and rights-of-way, and (ii) to relocate or realign any existing easements and rights-of-way over, across, and under the common elements, including, without limitation, any existing utilities, sanitary and sewer lines, and cable television lines, and connect the same, over, across, and under the common elements, provided that such easements, relocations, and connections of lines shall not materially impair or interfere with the use of any Unit.

At any time prior to December 31, 2025, the Developer, while the owner of Unit A in the Project, reserves the right, but not the obligation, to divide Unit A into two (2) separate Units and to allocate the percentage of common interest currently attributed to Unit A between the two (2) newly created Units; provided the total common interest appurtenant to the newly created Units shall equal the total common interest currently appurtenant to Unit A (50%). Any such creation of two (2) separate Units from Unit A shall be made in compliance with applicable governmental regulations, building and zoning codes and the cost thereof, including the preparation of any maps, documents and filing fees, shall be paid for by the Developer. The Developer reserves the right, at any time prior to December 31, 2025, to assign these reserved rights to any third party. Each and every party acquiring an interest in the Project, by such acquisition, including the holder(s) of any lien(s) thereof, and the owners of the Units directly affected thereby, consents to the Developer's exercise of the rights reserved unto the Developer, or its assigns, as contained in Section S of the Declaration, including the granting, reserving or relocation of any easements and/or rights of way; additions, modifications and/or alterations to the limited common elements; and to the amendment or amendments to the Declaration and/or Condominium Map and the recordation thereof at the Bureau of Conveyances and/or Land Court, as the case may be, to effect the same, and if required to, agrees to promptly execute, deliver and record such documents and instruments and to do such other things as may be necessary or convenient to effectuate the same; and appoints the Developer as his or her attorney-in-fact with full power of substitution to execute such documents and to do such things on his or her behalf, which grant of such power, being coupled with an interest, is irrevocable for the term of said reserved rights and shall not be affected by disability of any such party.

DESCRIPTION OF APARTMENTS

Three (3) separate and distinct freehold estates bounded by and including the decorated or finished surfaces of the exterior of the perimeter walls, by the exterior surfaces of the respective roofs thereof, and inclusive of the floor and ceiling of each of the dwellings in the Project. When facing the Project from Kamehameha Highway, Unit A, which consists of the first two (2) buildings, is located at the front of the property, Unit B is the third building located in the middle of the property, and Unit C is located in the rear of the property.

(a) Unit A contains two (2) buildings, each of which consists of one (1) story, without a basement. Unit A, is a dwelling consisting of Stairs leading into the Unit, a Living room, Dining room, a Kitchen, three (3) Bedrooms, one (1) Bath, and a laundry area for the Washer/Dryer. Unit A also includes a detached Carport with two (2) regular parking spaces as shown on said Condominium Map and Carport Storage. Unit A contains a total net living area of approximately 1,220 square feet; the Stairs contains approximately 60 square feet; the Carport contains 400 square feet; and the Carport Storage contains approximately 12 square feet. The first building, fronting Kamehameha Highway, which is also part of Unit A is designated on the Condominium Map as the "Store", and consists of a Retail Area, a Shed, "Storage, Sink & W/C" and a Covered Walkway. The Retail Area of the Store consists of a total net living area of approximately 949 square feet; the Shed consists of approximately 215 square feet; the "Storage, Sink & W/C" contains approximately 70 square feet; and the Covered Walkway contains approximately 182 square feet. Unit A and the Store which is a part thereof are constructed primarily of wood, asphalt shingle roofing, and glass.

The Developer and/or its assignee has reserved the right, but not the obligation, to further divide Unit A and the Store into two separate condominium units pursuant to the terms and conditions set forth in Section S, of the Declaration.

(b) Unit B contains one (1) story, without a basement, in which there is a Living Room, a Kitchen/Dining, three (3) Bedrooms, one (1) Bath, Stairs, and an attached Garage with parking for one (1) regular-sized automobile. Unit B contains a total net living area of approximately 1,024 square feet. The Stairs consists of approximately 70 square feet and the attached Garage consists of approximately 200 square feet. Unit B is constructed primarily of wood, asphalt shingle roofing, and glass.

(c) Unit C contains one (1) story, without a basement, in which there is a Living room, a Kitchen/Dining, three (3) Bedrooms, one (1) Bath, Stairs, a Laundry area, and an attached Garage with parking for one (1) regular-sized automobile. Unit C contains a total net living area of approximately 1,024 square feet. The Stairs contains approximately 70 square feet, the Laundry area consists of approximately 60 square feet, and the Garage contains approximately 150 square feet. Unit C is constructed primarily of wood, asphalt shingle roofing, and glass.

Each Unit shall also include all pipes, wires, conduits, and other utility and service lines contained wholly within such Unit and which are utilized exclusively by and serve only such Unit.

PERMITTED ALTERATIONS TO APARTMENTS

No work shall be done to the Units, the limited common elements appurtenant thereto, or any other part of the Project, by any owner of a Unit or any other person, which could jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement or hereditament, detract from the appearance of the Project, interfere with or deprive any nonconsenting owner of the use or enjoyment of any part of the Project, or directly affect any nonconsenting owner in any unreasonable manner, all as determined by the Board, without in every such case first obtaining the consent of the owners of the other Units, which consent shall not be unreasonably withheld. Except as otherwise provided by law, all other additions to or alterations of any Unit or its appurtenant limited common elements by the owner of such Unit shall be permitted without restriction, provided that the owner or other person making such additions or alterations shall comply strictly with all applicable laws, ordinances, and regulations of any governmental entity, and shall also obtain all necessary permits, at such owner or person's sole expense.

Notwithstanding the foregoing, each Unit owner may, without the consent of the Association or the owners of the other Units, replace, restore, construct or make additions to his or her Unit, provided such replacement, restoration, construction or additions are allowed by the applicable building codes and zoning ordinances and conform to the terms and conditions of Existing Use Permit 2004/EU-21 (see Exhibit "K"). Prior to making such replacement, restoration, construction, or additions the owner of the Unit must obtain all applicable governmental approvals and permits. If the replacement, restoration, construction or additions alter the description, layout or location of the Unit as set forth in Section A of the Declaration, or as shown in the Condominium Map, the owner of the Unit shall, at his or her sole cost, prepare and file at the Land Court and/or Bureau of Conveyances, as the case may be, an amendment to the Declaration and/or Condominium Map reflecting the alterations, additions and/or renovations to his or her Unit, with a copy of the recorded amendment provided to the Association. No replacement, restoration, construction or additions may be done which would affect the structural integrity of the common elements of the Project, any other Unit, or impair the availability of utility services or any type of drainage, access and/or utility easement to any of the other Unit owners.

In addition to the foregoing limitations and subject to the requirements set forth in the Existing Use Permit 2004/EU-21, no owner shall also be allowed, without the express written consent of the other owners, to construct any addition or alteration which would cause his or her Unit to exceed the proportionate share of the maximum allowable floor area and/or buildable area for the lot. Said proportionate share shall be equal to the maximum floor area and/or buildable area for the lot multiplied by the percentage of common interest in the Project appurtenant to such Unit as set forth in Section B of the Declaration.

June 1, 2006

TO: Real Estate Commission
State of Hawaii

RE: 66-218 Kamehameha Hwy.
Haleiwa, HI 96712
TMK 1-6-2-005-020-0000

I have inspected the structure at the 66-218 Kamehameha Hwy. Black Pearl Condominium Project. Without making any invasive examination of covered components, my observations during this inspection are:

1. The building appears to be in good structural, mechanical, and electrical condition commensurate with their age.

Very truly,

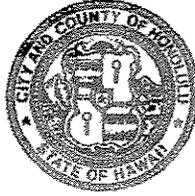

Roscoe O. Ford
Structural Engineer
No. 3731-S

EXHIBIT "D"

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 523-4432 • FAX: (808) 527-6743
DEPT. WEB SITE: www.honolulu.gov • CITY WEB SITE: www.honolulu.gov

MUFI HANNEMANN
MAYOR



HENRY ENG, FAICP
ACTING DIRECTOR

DAVID K. TANQUE
DEPUTY DIRECTOR

2004/ELOG-1924(RLK)

January 6, 2005

Mr. Abe Lee
Abe Lee Realty
1585 Kapiolani Boulevard, Suite 1533
Honolulu, Hawaii 96814

Dear Mr. Lee:

Subject: Condominium Conversion Project
66-218 Kamehameha Highway
Tax Map key: 6-2-5: 20

This is in response to your letter dated August 18, 2004 requesting verification that the structures on the above-mentioned property met all applicable code requirements at the time of construction.

Investigation revealed that the one-story commercial building and the three one-story single-family detached dwellings with nine all-weather surface off-street parking spaces met all applicable code requirements when they were constructed in 1947, 1949 and 1952 on this 15,039-square foot R-5 Residential District zoned lot.

Investigation also revealed the following:

- 1) The commercial building is a nonconforming use.
- 2) The three single-family detached dwellings are nonconforming dwelling units.
- 3) The number of all-weather-surface off-street parking spaces (9) is nonconforming.
- 4) The unpaved driveway is considered a nonconforming driveway.

EXHIBIT *WE*

Mr. Abe Lee
Abe Lee Realty
Page 2
January 6, 2005

- 5) On December 12, 2004, Existing Use Permit #2004/EU-21 was approved with conditions for the three single-family dwellings. If condition #3 is not met within ninety days, the Existing Use Permit (EUP) shall be deemed null and void. If there is no EUP approved for these dwellings, if any structure is destroyed by any means to an extent of more than 50 percent of its replacement cost at the time of destruction, it shall not be reconstructed, except in conformity with provisions of the Land Use Ordinance. Only two dwellings are permitted on this lot without an EUP, site development, cluster or PDH approval.

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

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

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

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

Sincerely yours,



for HENRY ENG, FAICP
Acting Director of Planning
and Permitting

LIMITED COMMON ELEMENTS

Certain parts of the common elements are hereby set aside and reserved for the exclusive use of the Units and shall constitute limited common elements appurtenant thereto. Each Unit shall have an exclusive easement for the use of the limited common elements appurtenant thereto, except as otherwise provided herein. The cost of maintenance, repair, upkeep, and replacement of each limited common element shall be assessed to the owner of the Unit to which such limited common element is appurtenant. The limited common elements shall be appurtenant to each of the Units as follows:

(a) That certain 7,524 square feet, more or less, of the real property of the Project which includes the real property upon which Unit A is situated, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit A.

(b) That certain 3,721 square feet, more or less, of real property of the Project which includes the real property upon which Unit B is situated, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit B.

(c) That certain 3,794 square feet, more or less, of real property of the Project which includes the real property upon which Unit C is situated, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit C.

(d) The Project contains a total of ten (10) parking stalls. Each Unit shall have appurtenant thereto at least two (2) parking space located within the limited common element area of said Unit, as shown on said Condominium Map, as follows: Unit A has two (2) parking spaces located within the Carport appurtenant thereto; Unit B has one (1) parking space located within the attached Garage and one (1) open tandem parking space located on its appurtenant limited common element area; and Unit C has one (1) parking space located within the attached Garage and one (1) open parking space on the limited common element area appurtenant thereto as shown on the Condominium Map. The Store which is part of Unit A shall have appurtenant thereto the four (4) open parking spaces located in front of the Store on Kamehameha Highway, as shown on said Condominium Map.

(e) Each Unit shall have appurtenant thereto and for the exclusive use thereof one (1) mailbox.

(f) Each Unit is separately metered for utilities such as water and electrical. All pipes, wires, conduits, and other utility and service lines not contained within a Unit but used by and servicing one or more Units, but not all of the Units, shall be a limited common element appurtenant to and for the exclusive use of the Unit or Units using and serviced exclusively by such pipes, wires, conduits, and other utility and service lines.

ENCUMBRANCES AGAINST TITLE

1. Real Property Taxes City and County of Honolulu

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

3. GRANT
To: Hawaiian Electric Company, Limited, and Mutual Telephone Company, now known as GTE Hawaiian Telephone Company Incorporated
Dated: August 5, 1953
Recorded: Liber 2730, Page 72
Granting: A perpetual right and easement to build, etc., for the transmission of electricity

4. ADJUSTABLE RATE MORTGAGE; SECURITY AGREEMENT AND FINANCING STATEMENT
Mortgagor: Black Pearl Source Corporation, a Hawaii corporation
Mortgagee: Finance Factors, Limited, a Hawaii corporation
Dated: June 27, 2000
Recorded: Document No. 2000-094627

5. ASSIGNMENT OF RENTS AND OTHER INCOME dated June 27, 2000, recorded as Document No. 2000-094628, by and between BLACK PEARL SOURCE CORPORATION, a Hawaii corporation, "Assignor", and FINANCE FACTORS LIMITED, a Hawaii corporation, "Assignee", assigning all of Assignor's right, title and interest in and to all of the Rents, all of the Other Income, etc., being more particularly described therein, to secure the repayment of that certain promissory note, in the principal sum of \$420,000.00.

6. MORTGAGE WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FINANCING STATEMENT
Mortgagor: Black Pearl Source Corporation, a Hawaii corporation
Mortgagee: Finance Factors, Limited, a Hawaii corporation
Dated: February 11, 2003
Recorded: 2003-028145

7. ASSIGNMENT OF RENTS AND OTHER INCOME dated February 11, 2003, recorded as Document No. 2003-028146, by and between BLACK PEARL SOURCE CORPORATION, a Hawaii corporation, "Assignor", and FINANCE FACTORS, LIMITED, a Hawaii corporation, "Assignee", assigning all of Assignor's right, title and interest in and to all of the Rents, all of the Other Income, etc., being more particularly described therein, to secure the repayment of that certain promissory note, in the principal sum of \$525,000.00.

8. FINANCING STATEMENT
Debtor: Black Pearl Source Corporation, a Hawaii corporation
Secured Party: Finance Factors, Limited, a Hawaii corporation
Recorded: February 14, 2003
Document No.: 2003-028147

9. Any unrecorded leases and matters arising from or affecting the same.
10. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.
11. Condominium Map No. 4276, recorded in the Bureau of Conveyances, State of Hawaii, as amended by Amendment to the Declaration of Condominium Property Regime of Black Pearl Source dated September 27, 2006, recorded October 3, 2006, as Document No. 2006-181428.
12. Declaration of Condominium Property Regime of Black Pearl Source, dated June 19, 2006, and recorded in the Bureau of Conveyances of the State of Hawaii, as Document No. 2006-118541.

Amendment to the Declaration of Condominium Property Regime of Black Pearl Source dated September 27, 2006, recorded October 3, 2006, as Document No. 2006-181428.
13. By-Laws of the Association of Apartment Owners of Black Pearl Source dated June 19, 2006, recorded in the Bureau of Conveyances, State of Hawaii, as Document No. 2006-118542.

Page 2 and End of Exhibit "G"

EXHIBIT H

ESTIMATE OF INITIAL MAINTENANCE FEES AND ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

Apartment

Monthly Fee x 12 months = Yearly Total

None.

* NOTE: All utilities are separately metered or otherwise charged, except for the cesspool system, the maintenance of which will be shared by the Units when required.

The Developer has not conducted a reserve study in accordance with Section 514A-83.6, Hawaii Revised Statutes, and the replacement reserve rules, Subchapter 5, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

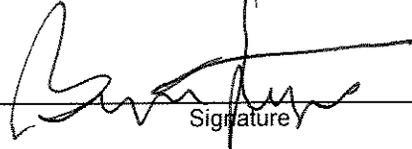
The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services	0.00
Air Conditioning	
Electricity	
[] common elements only	
[] common elements and apartments	
Elevator	
Gas	
[] common elements only	
[] common elements and apartments	
Refuse Collection	
Telephone	
Water and Sewer	
Maintenance, Repairs and Supplies	0.00
Building	
Grounds	
Management	0.00
Management Fee	
Payroll and Payroll Taxes	
Office Expenses	
Insurance	0.00
Reserves(*)	
Taxes and Government Assessments	
Audit Fees	
Other	
TOTAL	\$ 0.00

I, BEN THOMPSON, as President for BLACK PEARL SOURCE CORPORATION, the Developer, for the "Black Pearl Source" condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



Signature

JUN 19 2006

Date

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

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

SUMMARY OF SALES CONTRACT

The specimen Sales Contract (Deposit, Receipt, Offer and Acceptance and Addendum) contains, among other things, the following provisions:

1. Risk of Loss and Insurance. Risk of loss passes to Buyer upon closing or possession, whichever occurs sooner.
2. Time is of the Essence/Default. Time is of the essence of the obligations of Buyer under this Agreement. In the event Buyer fails to perform Buyer's obligations under the Sales Contract, Seller may (a) bring an action for damages for breach of contract, or (b) retain the initial deposit and all additional deposits provided by Buyer as liquidated damages, and the Buyer shall be responsible for any costs incurred in accordance with the Sales Contract.
3. Conversion of Existing Building; Existing Use Permit; No Warranties. Buyer is aware, agrees and affirms that the Project consists of a conversion of existing dwellings, constructed in 1947, 1949 and 1952. The Department of Planning and Permitting, City and County of Honolulu, State of Hawaii, issued Existing Use Permit No. 2004/EU-21, on December 10, 2004, approving the existence of the three (3) existing single-family detached dwellings. The Developer has applied for a zoning variance for the retail store in an R-5 Residential zoned lot. It is expressly understood and agreed by and between Seller and Buyer that SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNIT(S), OR CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN THE UNIT OR IN THE PROJECT, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS OF THE UNIT FOR A PARTICULAR PURPOSE.
4. Existing "As Is" Condition. Buyer agrees the Unit is being purchased in its "AS IS" condition, without any warranties or representations, expressed or implied. Buyer acknowledges that Buyer will be given an opportunity to inspect the Unit and by closing on the sale of the Unit, Buyer accepts the Unit in its "AS IS" condition as provided for herein.
5. Mediation And Arbitration. If any dispute or claim in law or equity arises out of this Agreement, and Buyer and Seller are unable to resolve the dispute themselves, Buyer and Seller agree in good faith to attempt to settle such dispute or claim by mediation under the Commercial Mediation rules of the American Arbitration Association. If such mediation is not successful in resolving such dispute or claim, then such dispute or claim shall be decided by a neutral binding arbitration before a single arbitrator in accordance with the Commercial Arbitration rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator may award reasonable attorney's fees and costs to the prevailing party.

SUMMARY OF ESCROW AGREEMENT

An escrow agreement (hereinafter called the “Escrow Agreement”) detailing the manner in which purchasers’ funds are to be handled, has been executed and a copy thereof has been filed with the Commission. The Escrow Agent is INTEGRITY ESCROW AND TITLE COMPANY, INC. (hereinafter referred to as “Escrow”). The escrow agreement, among other things, contains the following provisions:

1. Delivery of Sales Contracts. As and when Seller shall enter into a contract for the sale of an Apartment (each “Sales Contract”), Seller shall deliver a fully-executed copy of such Sales Contract to Escrow. Each Sales Contract shall contain the correct names and addresses of the Purchaser(s) of such Apartment, shall require that all payments to be made thereunder shall be made to Escrow, and shall be accompanied by the initial deposit required thereunder.

2. Return of Purchaser’s Funds and Documents. Unless otherwise provided in the agreement, a purchaser shall be entitled to a return of such purchaser’s funds and Escrow shall pay such funds to such purchaser, together with any interest which may have accrued to the credit of such purchaser, if any one of the following has occurred:
 - i. Seller and purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held by Escrow; or
 - ii. Seller shall have notified Escrow of Seller’s exercise fo the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Seller; or
 - iii. The purchaser shall have notified Escrow of purchaser’s exercise of purchaser’s right to cancel the sales contract pursuant to Section 514A-62, HRS; or
 - iv. The purchaser shall have notified Escrow of purchaser’s exercise of purchaser’s right to rescind the sales contract pursuant to Section 514A-63, HRS.

In any of the foregoing events, Escrow shall, upon the occurrence of the event described in (i) or (ii), above or upon receipt of written request for a refund from the purchaser upon the occurrence of an event described in (iii) or (iv), above, unless the purchaser has waived or has been deemed to have waived the right to a refund, pay said funds to purchaser (less a cancellation fee commensurate with the work done b Escrow prior to such cancellation, up to a maximum of \$250.00); provided, however, that no refund shall be made to a purchaser at purchaser’s request prior to receipt by Seller of written notice from Escrow of Escrow’ intent to make such refund.

3. Purchaser’s Default. If such Purchaser fails to make such payment to Escrow on or before the due date thereof or if such Purchaser fails to perform in any manner that is being handled by Escrow, Escrow shall promptly notify Seller of any such failure on the part of such purchaser. If Seller subsequently certifies in writing to Escrow that Seller has terminated the sales contract in accordance with the terms thereof and provides to Escrow copies of all such notices of termination sent to such purchaser, Escrow shall thereafter treat all funds of such purchaser paid on account of such purchaser’s sales contract as funds of Seller, and not as funds of such purchaser. Thereafter, such funds shall be free of the escrow established by this Agreement

and shall be held by Escrow for the account of Seller. Upon written request by Seller, Escrow shall pay such sums to Seller, less any escrow cancellation fee. Escrow shall thereupon be released from any further duties or liability hereunder to Seller with respect to such funds and such Purchaser.

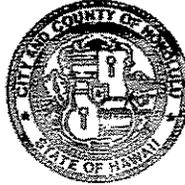
4. Interest on Escrow Funds. Unless otherwise provided in the Agreement, any interest earned on funds deposited to escrow under this Agreement shall accrue as specified in the sales contract. If the sales contract does not specify to whom interest is to accrue, any interest earned on funds deposited in escrow under this Agreement shall accrue as set forth in the Agreement. Escrow shall not be liable to either Seller or any purchaser for loss or diminution in funds invested in accordance with instructions given to Escrow. If the sales contract is entered into pursuant to a Final Public Report, any interest earned on funds deposited in escrow under the Agreement shall accrue to the credit of Seller; except that, if Escrow is requested to establish a separate account for a purchaser, Escrow shall do so, the purchaser shall furnish Escrow purchaser's social security or federal tax identification number, the purchaser shall pay Escrow a fee of Twenty-Five Dollars (\$25.00) for each such separate account and any interest earned on funds deposited in such account shall accrue to the credit of such purchaser.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
 PHONE: (808) 523-4414 • FAX: (808) 527-6743
 DEPT. WEB SITE: www.honolulu.gov • CITY WEB SITE: www.honolulu.gov

COPY

JEREMY HARRIS
 MAYOR



ERIC G. CRISPIN, AIA
 DIRECTOR

BARBARA KIM STANTON
 DEPUTY DIRECTOR

2004/EU-21(as)

PERMIT	EXISTING USE
File Number	: 2004/EU-21
Applicant	: Ben Thompson
Landowner	: Black Pearl Source Corp.
Location	: 66-218 Kamehameha Highway – Haleiwa
Tax Map Key	: 6-2-5: 20
Zoning	: R-5 Residential District
Date Received	: October 1, 2004
Date Accepted	: October 12, 2004

APPROVAL is granted to the existing use, three (3) single-family dwellings, in accordance with the application documents (plans date-stamped October 7, 2004), subject to the following conditions:

1. All work shall be in accordance with approved application documents, the conditions enumerated below and the Land Use Ordinance (LUO) unless otherwise stated by this permit.
2. The Existing Use (EU) Permit is only for the continued use, repair, alteration, expansion, relocation, or reconstruction of the existing dwellings. [Note: The existing retail establishment on the site shall be regulated as a nonconforming use under LUO Section 21-110(c), and is not covered by this EU permit.] This Existing Use approval does not certify that the existing structures and improvements comply with the current zoning code or other regulations.
3. Access for fire apparatuses and locations of existing fire hydrants do not meet the Uniform Fire Code. If the dwellings units were to be expanded or rebuilt, the Honolulu Fire Department (HFD) requires a wider access road, turnaround and fire hydrant placed on the site. Although the existing retail activity within the first structure is a nonconforming use, retention of the structure is supported by the Haleiwa Special District regulations. Adherence to the fire department requirements for the provision of fire service access, turnaround and fire hydrant improvements would jeopardize the preservation of this structure. Therefore, the applicant shall consult with the HFD and seek their written approval for meeting the fire code by means other than the above requirements, such as installation of an automatic fire sprinkler system in each dwelling.

EXHIBIT "K"

In addition, such written approval shall be obtained within 90 days from the date of this EU approval and prior to any change of ownership or issuance of any building permit subsequent to this approval.

If such approval from HFD is not submitted to DPP within 90 days, this permit shall be deemed null and void.

4. In accordance with Section 2.100(a) of the LUO, in the event of destruction, uses may be continued and structures may be rebuilt under the approved existing use plan, provided that such restoration is permitted by the Building Code and Flood Hazard Regulations and is started within two years.
5. Only **minor modifications** to the EU plans shall be allowed. Any major modification which may have an adverse impact on surrounding land uses, increases the number of dwelling units, and/or involves the reconstruction and/or expansion of a dwelling(s) which is part of a larger development, shall require the processing of a Cluster Housing Permit.
6. The applicant or owner(s) shall incorporate this Existing Use Permit into the restrictive covenants which run with the land, to serve as notice to all owners and tenants. The draft covenant shall be submitted for review and approval by the DPP. Upon approval of the covenant, a certified recorded copy shall be filed with the DPP, prior to the change in any ownership or the issuance of any permits.
7. If the project will be condominiumized, the applicant or owner(s) shall submit a draft copy of the Condominium Property Regime (CPR) map and documents to the DPP for its review. Future work subsequent to the creation of a CPR may require approval from the homeowners association prior to the start of work. If the EU Permit is incorporated into the CPR documents, a separate declaration of restrictive covenants is not required.
8. All work shall comply with the applicable LUO standard for the underlying zoning district, unless otherwise stated herein:
 - (a) A minimum 12-foot wide common access driveway shall be provided in conjunction with the reconstruction any structure.
 - (b) No structures, fences or walls shall be allowed in the common access driveway.
 - (c) Within the project, the minimum distances between buildings shall be as follows:
 - (i) 10 feet between two one-story dwellings;
 - (ii) 15 feet between a one-story and a two-story dwelling or portion thereof; and
 - (iii) 20 feet between two-story dwellings.

If the property is condominiumized, then, no portion of a building shall cross a CPR line. Reconstructed buildings shall comply with the required yards and height setbacks of the underlying zoning district as measured from limited common element lines.

- (d) Maximum building area shall not exceed 50 percent of the original lot area of 15,039 square feet. This includes both the dwellings and retail establishment on the site. If the property is condominiumized, then, within each limited common element, the maximum building area shall not exceed 50 percent of the area for each limited common element.
9. All new work shall be compatible in design with the existing and surrounding structures. The Director may require the redesign of exterior entrances, stairways, bar areas, including plumbing and electrical systems, to ensure that the number of dwellings is not increased.
 10. A minimum of 6 parking spaces, 2 stalls for each dwelling unit, shall be provided prior to any change in ownership or issuance of any building permits subsequent to this approval, whichever comes first. Dwelling additions shall comply with the LUO parking regulations. Existing parking spaces within carports or garages shall not be converted into usable floor area (including garage or carport storage areas).
 11. An all weather surface shall be provided at all driveways and required parking areas prior to the issuance of building permit, subsequent to this approval.
 12. A perimeter fence shall be allowed, except within 20 feet from the front property line. No new or reconstructed internal fences shall be allowed.
 13. All existing trees 6 inches or greater in diameter shall be retained on-site, or replacement landscaping shall be required. All landscaping shall be maintained in a healthy visual condition at all times.
 14. Any modification to the application documents and conditions stated herein shall be subject to approval by the DPP. For good cause, the Director may impose additional requirements and/or amend the above conditions.

Any party wishing to appeal the Director's action must submit a written petition to the Zoning Board of Appeals (ZBA) within 30 calendar days from the date of mailing or personal service of the Director's written decision. (Zoning Board of Appeals Rules Relating to Procedure for Appeals, Rule 22-2, Mandatory Appeal Filing Deadline). Essentially, the Zoning Board of Appeals rules require that a petitioner show that the Director based his action on an erroneous finding of a material fact, and/or that the Director acted in an arbitrary or capricious manner, or manifestly abused his discretion.

Generally, the ZBA can only consider the evidence previously presented to the Director of Planning and Permitting. The filing fee for appeals to the ZBA is \$200 (payable to the City and County of Honolulu).

Failure to comply with ZBA Rules Chapter 22, Procedure for Appeals, may result in the dismissal of the appeal. Copies of the ZBA rules are available at the Department of Planning and Permitting. Appeals should be addressed to:

Zoning Board of Appeals
c/o Department of Planning and Permitting
650 South King Street
Honolulu, Hawaii 96813

If you have any questions or need additional information concerning this Existing Use Permit, please contact Adrian Siu-Li of our staff at 527-5072.

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THIS COPY, WHEN SIGNED BELOW, IS NOTIFICATION OF THE ACTION TAKEN.



SIGNATURE

Director

TITLE

12.10.04

DATE

This approval does not constitute approval of any other required permits, such as building or sign permits.

Black Pearl Source

Unit No.	Bed/Bath	Net Lvg. Area SF	Estimated Area of Ltd. Common Element	Prkg. Stall	Estimated Monthly Maintenance Fee	Price
A	3/1	1224		2		
B*	3/1	1224		2		
C*	3/1	1024		2		

This is an owner occupant notice for "BLACK PEARL SOURCE" which is located at 66-218 Kamehameha Hwy. Haleiwa, HI 96712, TMK: 1-6-2-5-20. These units (*) shall initially be offered for a 30 day period after the first publication of this announcement to only prospective owner occupants on the reservation list, who will use the residential units as their principal residences for a period of not less than 365 consecutive days. There will be a total of 3 UNITS fee simple detached units for residential use. Pursuant to Hawaii Revised Statutes Section 514A-102, the units shall be offered for sale upon the issuance of an effective date of the first public report, which is DATE OF FINAL PUBLIC REPORT. None of the 3 units are 'accessible and adaptable' as those terms are defined and interpreted in 24 C.F.R. section 100 et. seq. for persons with disabilities. The units will be offered first to tenants occupying the units immediately prior to the conversion who submit the owner-occupant affidavit and earnest money deposit pursuant to Section 514A-105(a), Hawaii Revised Statutes. Any interested person may contact the Project Realtor from 9:00 am. to 3:00 p.m. daily for an owner occupant affidavit and be placed on a reservation list to obtain further project information. Reservations are being taken now at the Realtor's office. The reservation list shall be compiled for a period of 30 days in chronological order beginning with the date of the first announcement dated (DATE OF FIRST AD). A refundable \$1,000 deposit is required with a reservation.

Abe Lee, R
Abe Lee Realty, LLC
1585 Kapiolani Blvd. Ste. 1533
Honolulu, HI 96814
PHONE: 942-4472 FAX: 942-4473

EXHIBIT "L"