

**AMENDMENT #1 TO
DEVELOPER'S PUBLIC REPORT
FOR A CONDOMINIUM**

CONDOMINIUM PROJECT NAME:	"LANI HALE"
ADDRESS:	3632 Salt Lake Boulevard Honolulu, Hawaii 96818
REGISTRATION NUMBER:	6099
EFFECTIVE DATE OF REPORT:	November 15, 2006
MUST BE READ TOGETHER WITH DEVELOPER'S PUBLIC REPORT DATED:	September 1, 2006
DEVELOPER:	SLV, LLC, a Registered Hawaii Limited Liability Company

Preparation of this Amendment

The Developer prepared this amendment pursuant to the Condominium Property Act, Section 514B-56, Hawaii Revised Statutes (HRS), as amended from time to time. Section 514B-56, HRS, requires that *after the Commission has issued an effective date for the Developer's Public Report*, if there are any changes, either material or pertinent changes, or both, regarding the information contained in or omitted from the Developer's Public Report, or if the developer desires to update or change the information set forth in the Developer's Public Report, the developer shall immediately submit to the Commission an amendment to the Developer's Public Report or an amended Developer's Public Report clearly reflecting the change, together with such supporting information as may be required by the Commission, to update the information contained in the Developer's Public Report.

The law defines "material change" as used in parts IV and V of Chapter 514B, HRS means any change that directly, substantially, and adversely affects the use or value of (1) A purchaser's unit or appurtenant limited common elements; or (2) Those amenities of the project available for the purchaser's use.

The law defines "pertinent change" to mean, as determined by the Commission, a change not previously disclosed in the most recent public report that renders the information contained in the public report or in any disclosure statement inaccurate, including, but not limited to (1) The size, construction materials, location, or permitted use of a unit or its appurtenant limited common element; (2) The size, use, location, or construction materials of the common elements of the project; or (3) The common interest appurtenant to the unit. A pertinent change does not necessarily constitute a material change.

The filing of an amendment to the Developer's Public Report or an amended Developer's Public Report, in and of itself, shall not be grounds for a purchaser to cancel or rescind a sales contract. A purchaser's right to cancel or rescind a sales contract shall be governed by Sections 514B-86 and 514B-87, HRS, the terms and conditions of the purchaser's contract for sale, and applicable common law.

This Amendment has not been prepared or issued by the Real Estate Commission or any other governmental agency. The issuance by the Commission of an effective date for this amendment to the Developer's Public Report (1) does not mean that the Commission approves or disapproves of the project; (2) does not mean that the Commission thinks that either all material facts, material changes, or pertinent changes about the project have been fully or adequately disclosed; and (3) is not the

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Commission's judgment of the value or merits of the project.

The law defines "material facts" to mean any fact, defect, or condition, past or present that to a reasonable person, would be expected to measurably affect the value of the project, unit, or property being offered or proposed to be offered for sale.

This amendment may be used by the Developer for promotional purposes only if it is used with the last Developer's Public Report in its entirety.

Prospective purchasers and purchasers are encouraged to read this amendment carefully and to seek professional advice.

Summary of Changes from Earlier Developer's Public Report are Described Beginning on the Next Page

Also attached after page 5 are the following pages and exhibits that contain changes as summarized below and replace, or are, "in addition to", parts of the earlier Public Report:

Page (ii) Table of Contents showing:
Amended Exhibit "C" and additions of Exhibits M through S

Page 4, Section 1.7 "Common Interest" with Amended Exhibit "C",
To note change of undivided interest regarding:

- Bldg D, Unit 14 – undivided interest of 6.62%
- Bldg D, Unit 16 – undivided interest of 6.67%

Page 10, Section 3.1:
To note Second Amendment of Declaration dated October 17, 2006 and filed as Land Court Document No. 3500246.

Page 18 to show, as follows: Amended Exhibit "C"
Addition of Exhibits M through S

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Summary of Changes from Earlier Developer's Public Report:

This summary contains a general description of the changes, if any, made by the developer since the last Developer's Public Report was issued an effective date. It is not necessarily all inclusive. Prospective purchasers and purchasers must read this amendment together with the last Developer's Public Report with the effective date as noted on the top of page 1 if they wish to know the specific changes that have been made.

Changes made are as follows (include a description of what the changes is and page number and or exhibit alphabet or number; additional pages may be used):

I. Additional Exhibits that were inadvertently omitted and are part of the Developer's Public Report, are attached hereto, as follows:

Table of Contents (corrected page ii attached)

- **Exhibit M – Declaration**
- **Exhibit N – First Amendment of Declaration**
- **Exhibit O – Bylaws**
- **Exhibit P – First Amendment of Bylaws**
- **Exhibit Q – Condominium Map**
- **Exhibit R – House Rules**
- **Exhibit S – Second Amendment of Declaration**

II. Amended Section 3.1 Declaration of Condominium Property Regime (corrected page 10 attached)

1. Second Amended Declaration, dated October 17, 2006, and filed as Land Court Document No. 3500246 to note change of percentage interest in the common elements appurtenant to each unit, as to:

Building D, Unit No. 14 – undivided interest of 6.62%
Building D, Unit No. 16 – undivided interest of 6.67%

III. Updated Section 1.7 Common Interest (corrected page 4 attached) to note:

1. Amended Exhibit "C" to correspond with the Second Amended Declaration pertaining to percentage interest in the common elements.

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Changes continued:

IV. Updated Section 6 Miscellaneous Information Not Covered Elsewhere in this Report (corrected page 18 attached)

AMENDED

EXHIBIT C: Continued from Page 4 – 1.7 Common Interest

(Additional Exhibits that were inadvertently omitted)

EXHIBIT M: Declaration

EXHIBIT N: First Amendment of Declaration

EXHIBIT O: Bylaws

EXHIBIT P: First Amendment of Bylaws

EXHIBIT Q: Condominium Map

EXHIBIT R: House Rules

EXHIBIT S: Second Amendment of Declaration

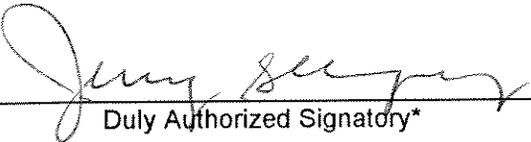
This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at (808) 586-2643 to submit your request.

The Developer declares subject to the penalties set forth in Section 514B-69, HRS that this project continues to conform to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located, all in accordance with Sections 514B-5 and 32(a) (13), HRS.

For any conversion, if any variances have been granted, they are specified in Section 1.14 of this report as amended, and, if purchaser deposits are to be used by the Developer to cure any violation of zoning, permitting requirements or rules of the county in which the project is located, the violation is specified in Section 1.15 of this report as amended, along with the requirements to cure any violation, and Section 5.5 specifies the date by which the cure will be completed.

The Developer hereby certifies that all the information contained in this report as amended and the exhibits attached to this report (if any) as amended and all documents to be furnished by the Developer to purchasers 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. The Developer hereby agrees promptly to amend this report as amended to report and include either or all material facts, material or pertinent changes to any information contained in or omitted from this report and to file annually a report to update the material contained in this report as amended at least 30 days prior to the anniversary date of the effective date of this report.

SLV, LLC, a Registered Hawaii Limited Liability Company
Printed Name of Developer


Duly Authorized Signatory*

11/3/06
Date

Jerry Young, Member-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; for a partnership or limited liability partnership (LLP) by the general partner; for a limited liability company (LLC) by the manager or an authorized member; and for an individual by the individual.**

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at (808) 586-2643 to submit your request.

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EXHIBIT R: House Rules	
EXHIBIT S: Second Amendment of Declaration	

1.4 Parking Stalls

Total Parking Stalls in the Project:	17
Number of Guest Stalls in the Project:	2
Number of Parking Stalls Assigned to Each Unit:	1
Attach Exhibit <u> B </u> specifying the Parking Stall number(s) assigned to each unit and the type of parking stall(s) (regular, compact or tandem and indicate whether covered or open).	
If the Developer has reserved any rights to assign or re-assign parking stalls, described such rights.	
N/A	

1.5 Boundaries of the Units

Boundaries of the Unit:
The limits of the respective units are the entire living area contained within its perimeter walls and to the interior surface of the walls separating the units, and shall include pipes, wires, conduits, ducts or other utility lines running through the respective units.

1.6 Permitted Alterations to the Units

Permitted alterations to the unit (if the unit is defined as a non-physical or spatial portion of the project, also describe what can be built within such portion of the project):
Alterations of an apartment may be made with the approval of the Board of Directors and the written consent of the holders of all liens affecting the apartment.

1.7 Common Interest

<u>Common Interest:</u> Each unit will have a percentage interest in the common elements appurtenant to each unit. This interest is called the "common interest". It is used to determine each unit'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 unit owners. The common interest for each unit in this project, as described in Declaration is:
Described in Amended Exhibit <u> C </u> .
As follows: See Amended Exhibit "C"

1.8 Recreational and Other Common Facilities (Check if applicable):

<input type="checkbox"/>	Swimming pool
<input type="checkbox"/>	Laundry Area
<input type="checkbox"/>	Storage Area
<input type="checkbox"/>	Tennis Court
<input type="checkbox"/>	Recreation Area
<input type="checkbox"/>	Trash Chute/Enclosure(s)
<input type="checkbox"/>	Exercise Room
<input type="checkbox"/>	Security Gate
<input type="checkbox"/>	Playground
<input checked="" type="checkbox"/>	Other (describe): none

3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances (Regular System) or filing in the Office of the Assistant Registrar of the Land Court, or both, a Declaration of Condominium Property Regime, a Condominium Map and the Bylaws of the Association of Unit Owners. The Condominium Property Act (Chapter 514B, HRS), the Declaration, Bylaws and House Rules control the rights and obligations of the unit owners with respect to the project and the common elements, to each other, and to their respective units.

3.1 Declaration of Condominium Property Regime

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

Land Court or Bureau of Conveyances	Date of Document	Document Number
LAND COURT	July 5, 2006	3450353

Amendments to Declaration of Condominium Property Regime

Land Court or Bureau of Conveyances	Date of Document	Document Number
LAND COURT	August 24, 2006	3472788
LAND COURT	October 17, 2006	3500246

3.2 Bylaws of the Association of Unit Owners

The Bylaws of the Association of Unit Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Units 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 that affect how the condominium project will be governed.

Land Court or Bureau of Conveyances	Date of Document	Document Number
LAND COURT	July 5, 2006	3450354

Amendments to Bylaws of the Association of Unit Owners

Land Court of Bureau of Conveyances	Date of Document	Document Number
LAND COURT	August 24, 2006	3472789

3.3 Condominium Map

The Condominium Map contains a site plan and floor plans, elevations and layout of the condominium project. It also shows the floor plan, unit number and dimensions of each unit.

Land Court Map Number	1838
Bureau of Conveyances Map Number	
Dates of Recordation of Amendments to the Condominium Map:	

6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT.

1. Jerry S. C. Young is one of the member-managers of SLV, LLC, a Registered Hawaii Limited Liability Company and is also a real estate broker for DAY Real Estate Company.

AMENDED

EXHIBIT C: Continued from Page 4 – 1.7 Common Interest

Additional Exhibits that were inadvertently omitted

EXHIBIT M: Declaration
EXHIBIT N: First Amendment of Declaration
EXHIBIT O: Bylaws
EXHIBIT P: First Amendment of Bylaws
EXHIBIT Q: Condominium Map
EXHIBIT R: House Rules
EXHIBIT S: Second Amendment of Declaration

1.7 Common Interest

Common Interest: Each unit will have a percentage interest in the common Elements appurtenant to each unit. This interest is called the "common interest". It is used to determine each unit'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 unit owners. The common interest for each unit in this project, as described in Declaration, is:

As follows:

AMENDED EXHIBIT "C"

<u>Type/Unit No.</u>	<u>Undivided Interest</u>
Bldg A 1	6.67%
2	6.67%
3	6.67%
4	6.67%
Bldg B 5	6.67%
6	6.67%
7	6.67%
8	6.67%
Bldg C 9	6.67%
10	6.67%
11	6.67%
12	6.67%
Bldg D 14	6.62%
15	6.67%
16	<u>6.67%</u>
TOTAL	100.00%

AMENDED EXHIBIT "C"

EXHIBIT “M”

**DECLARATION SUBMITTING PROPERTY TO THE
CONDOMINIUM PROPERTY REGIME**

“LANI HALE”

EXHIBIT “M”

ASSISTANT

The

3450353

July 07, 2006

DATE 12:00 PM

CTN 812,540

LAND COURT SYSTEM

REGULAR SYSTEM

Return By: Mail () Pickup (X) To:

VERNON T. TASHIMA
Attorney-at-Law

PH: 521-2951

TOTAL PAGES: 15

TMK NO: (1) 1-1-18:12

3632 Salt Lake Blvd., Honolulu, HI

TCT NO. 812,540

DECLARATION SUBMITTING PROPERTY TO THE
CONDOMINIUM PROPERTY REGIME

"LANI HALE"

CONDOMINIUM MAP NO. 1838

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, SLV, LLC, a Registered Hawaii Limited Liability Company, whose mailing address is 3632 Salt Lake Blvd, Honolulu, Hawaii 96818, hereinafter called "DEVELOPER" is the Owner and Developer of the land, more particularly described in Exhibit "A" attached hereto and made a part hereof, and all improvements, or to be constructed thereon, herein collectively called the "Property"; and

WHEREAS, Developer intends to submit said Property, which includes one (1) existing 2-story 4-plex building, three (3) existing 1-story duplex buildings, all containing a total of 10 apartments, or units, together with five (5) new units to be constructed, to the provisions of Chapter 514A, Hawaii Revised Statutes, known as the Condominium Property Act, herein called the "Condominium Act", and intends to occupy and/or sell said apartments and undivided interests in the common elements, in fee simple, subject to the terms of this Declaration, herein called the "Declaration"

and the By-Laws of the Association of Apartment Owners, herein called the "By-Laws", recorded simultaneously in the Bureau of Conveyances of the State of Hawaii; and

WHEREAS, said apartments, sometimes herein referred to as "Units", hereinafter more particularly described, are shown on plans, hereinafter called the "Condominium Map" bearing the declaration of EDWARD A. RESH, Registered Professional Architect, State of Hawaii License No. 3239, that they fully and accurately depict the layout, location and dimensions of said units, as built, and recorded simultaneously with said Declaration and By-laws in said Bureau; and

WHEREAS, this Project is to be known as "LANI HALE".

NOW, THEREFORE, Developer hereby submits the land described in said Exhibit "A" and all improvements and buildings now or hereafter situate thereon, in fee simple, to the Condominium Property Regime, herein also called the "Project" established under the provisions of the Condominium Property Act, and hereby make the following declarations relating to said "Project", and further declares that said Property shall be held, conveyed, encumbered, leased, rented, used, occupied and improved, subject to the provisions of the Condominium Property Act, and to said declarations which shall constitute covenants running with the land and shall be binding upon and inure to the benefit of the Developer hereof, and all subsequent owners, lessees, and/or occupants of all or any part of the Project.

1. Name, Location and Description of Project.

- a) Name of Project. "LANI HALE"
- b) Location. 3632 Salt Lake Boulevard
Honolulu, Hawaii 96818
- c) Tax Map Key No. (1) 1-1-18:12

Total lot area 15,000 square feet, more or less.

2. Description of Project.

a) General Description of Project and Buildings.

The Project will consist of fifteen (15) "apartments", or "units", contained in four (4) 2-story buildings, identified as Buildings "A", "B", "C" & "D". Currently, there are 4 buildings. Building "B" is a two-story building with 2 units on each floor; Buildings "A", "C" & "D" are one-story duplex buildings. The Developer proposes as follows: Building "B", a 4-plex, will be retained, as built; Buildings "A" & "C" will be raised, and 2 new units will be constructed on the ground level, thus creating a 4-plex building;

and Building "D" will be raised, but a single unit will be constructed on the ground level, creating a 3-plex building.

Upon completion of the proposed work, Buildings "A", "B" & "C" will have 4 units (two {2} on each floor) and Building "D" will have 3 units (two {2} on the second floor and one {1} on the ground level).

Thereupon, each building will be a 2-story structure, without basement, and constructed basically of wood and CMU.

All buildings will have access to Salt Lake Boulevard, a public roadway, over an approximately 22 feet wide concrete driveway, that serves as a common driveway, approximately 100 feet long into the project property from said Salt Lake Boulevard.

As viewed from Salt Lake Boulevard, Buildings A and B are on the left side of the common driveway, with Building A in the left front portion of the property, and Building B in the left rear portion, thereof. Building C and D are on the right side of the common driveway, with Building C in the right front portion of the property, and Building D in the right rear portion thereof.

(b) Parking; Mail Boxes. There will be 16 parking spaces located along the common driveway as shown on the Condominium Map. Each unit will be assigned one space, as shown herein, and one stall is reserved for guest parking. Three (3) spaces will be under cover (under Building D) and one (1) will be partially under cover.

Each unit will be provided with a mail box.

(c) Description of Apartments.

i) Building "A". This building has 4 apartments; 2 on the lower level and 2 on the upper level.

As viewed from Salt Lake Boulevard, Apartment #1 is on the right side, and Apartment #2 on the left side, of the lower level, (first floor) and, Apartments #3 and #4, on the left and right sides, respectively, of the upper level (second floor).

Lower Level. Apartments #1 and #2 are the reverse of each other and each contains approximately 600 sq. ft. of living area, comprised of 2 bedrooms each with closet space; a full bathroom; kitchen and living/dining area, with a washer/dryer space located between the kitchen and living area.

Upper Level. Apartments #3 and #4 are the reverse plan of each other, and each contains approximately 600 sq. ft. of living area, comprised of 2 bedrooms; each with closet space; a full bathroom; a kitchen, and living/dining area with a washer/dryer space between the kitchen and living areas. An exterior stairway, leading to a common lanai-walkway serves as an access to the upper level apartments.

ii) Building "B". This building has 4 apartments; 2 on the lower level and 2 on the upper level.

Lower Level. As viewed from Salt Lake Boulevard, Apartment #6 is on the left side of the lower level and Apartment #5 on the right side thereof. The apartments are the reverse plan of each other, and each contains approximately 600 sq. ft. of living area, comprised of 2 bedrooms, each with a closet; a bathroom with shower; kitchen and living/dining area. A washer/dryer and laundry tub for these apartments are located outside and at the rear of these apartments.

Upper Level. Apartment #8 on the left side of the upper level and Apartment #7 on the right side thereof, are the reverse plan of each other, and each contains approximately 600 sq. ft., comprised of 2 bedrooms, each with closet; a bathroom with shower; kitchen and living/dining area. A washer/dryer space is located in the kitchen area.

An exterior stairway leading to a common entry deck serves as an access to the upper level apartments.

iii) Building "C". This building has 4 apartments; 2 on the lower level and 2 on the upper level.

Lower Level. As viewed from Salt Lake Boulevard, Apartment #9 is on the left side of the lower level and Apartment #10 is on the right side. The apartments are the reverse plan of each other, and each contains approximately 600 sq. ft. of living area, comprised of 2 bedrooms, each with a closet; a full bathroom; a kitchen and living/dining area, with a washer/dryer space located between the kitchen and living area.

Upper Level. Apartment #12 is on the left side of the upper level and Apartment #11 is on the right side. The apartments are the reverse plan of each other, and contains approximately 600 sq. ft. of living area, comprised of 2 bedrooms, each with closet; a full bathroom; a kitchen and living/dining area, with a washer/dryer space located between the kitchen and living area.

An exterior stairway leading to a common lanai-walkway on the upper level serves as an access for the upper level apartments,

iv) Building "D". This building has 3 apartments; 1 on the lower level and 2 on the upper level. The number 13 will not be used in numbering any apartment; therefore, the 3 apartments in this Building will be numbered 14, 15 and 16.

Lower Level. As viewed from Salt Lake Boulevard, Apartment #14 is located on the right side of this Building, and contains approximately 600 sq. ft. of living area comprised of two bedrooms; a full bathroom; kitchen and living/dining area, with a washer/dryer space located between the kitchen and living area. The left side of this Building and to the left of Apartment #14, there will be parking spaces for 3 cars under cover, and one partially covered parking space.

Upper Level. Apartment #16 is on the left side of this level and Apartment #15 on the right side. The apartments are the reverse plan of each other, and contains approximately 600 sq. ft. of living area, comprised of 2 bedrooms, each with closet; a bathroom with shower; a kitchen, and living/dining area. A washer/dryer space is located off the living room.

An exterior stairway leading to a common lanai-walkway on the upper level serves as an access for the upper level apartments.

(d) Net Measurements. The square foot measurements of all units, and the sites are all approximate, and the floor area of all units as indicated is the net living area of each unit as measured from the interior surface of each unit's perimeter walls.

(e) Typical Finishing and Appliances of Dwelling Units. The units are furnished with the following appliances:

All units will be furnished with tankless water heater, range/oven. garbage disposal, refrigerator, and washer/dryer.

(f) Common Elements Immediately Accessible By Each Unit. The common element for the entire Project, to which each unit will have direct access, is the land immediately outside of each building wherein the unit is located, over a common driveway leading to the public roadway.

3. Condominium Map. The buildings are as shown on the plans, bearing the declaration of Edward A. Resh, Registered Professional Architect, as aforesaid, and hereinbefore referred to as "Condominium Map".

4. Limits of Units, Common Elements Appurtenant To Undivided Units. The limits of the respective units are the entire living area contained within its perimeter walls and to the interior surface of the walls separating the units, and shall include

pipes, wires, conduits, ducts or other utility lines running through the respective units.

The structural components, i.e. the roof and sidings of each building; the dividing walls of adjoining apartments and the space between the floor and ceiling of an upper level apartment and lower level apartment, respectively, are deemed common elements of those apartments that share such portion of each building.

5. Common Elements. The common elements, other than as defined elsewhere and applicable to units within a specific building, will include the limited common elements hereinafter described, and all other portions of the land and improvements, other than the units and all elements mentioned in the Condominium Property Act which are actually constructed on the land herein described, and specifically shall include, but not limited to:

a) Land herein described in Exhibit "A" in fee simple.

b) All yards, boundary walls, if any, grounds, landscaping, walkways, and sidewalks, if any. Space between walls dividing the apartments and space between the floor and ceiling, respectively, upper and lower level apartments.

c) All electrical equipment, wiring and other appurtenant installations, including power and light, water, sewer and gas lines; all pipes, wires, conduits or other utility or service lines, including TV cable, if any, which are utilized by or serve more than one building.

6. Limited Common Elements.

a) Parking Spaces. There are seventeen (17) parking spaces, of which twelve (12) are uncovered; four (4) spaces located on the ground level of Building "D", of which three (3) are completely undercover under Apartment 16, and one (1) is partially under cover. The parking spaces are assigned, as follows:

<u>Unit Number</u>	<u>Parking Space Number</u>
1	109
2	108
3	107
4	106
5	105
6	104
7	103
8	102
9	116
10	115

11	114 (partially covered)
12	113 (covered)
14	112 (covered)
15	111 (covered)
16	101
Guest	110
Guest	117

All limited common elements shall be maintained, repaired and kept in good order and condition by the owner or owners thereof.

7. Percentage of Undivided Interest. Each unit shall have appurtenant thereto an undivided percentage interest in all common elements of the project, and the same interest in all common expenses of the project, and for all other purposes including voting, as follows:

<u>Unit (Apt.) Nos.</u>	<u>Percentage Interest</u>
Nos. 1 through 15 (No #13), inclusive	14 x 6.67% = 93.38 %
No. 16	1 x 6.62% = <u>6.62</u> % 100.00 %

8. Compliance With Law; Conversion of Existing Buildings. The four (4) existing buildings are in compliance with all zoning and building ordinances and codes, and all permitting requirements and supplemental rules adopted by the county, wherein this Project is located. This Project involves the conversion of the four (4) existing buildings into a condominium project. An investigative report dated April 19 2005, from the Director of the Department of Planning and Permitting of the City and County of Honolulu, states, in part, as follows:

"Investigation revealed that the two-story four-unit apartment building and three two-family detached dwellings with ten all-weather-surface off-street parking spaces met all code requirements when they were constructed in 1953, relocated in 1967 and 1972 and altered in 1973 on this 15,000-square foot A-1 Medium Density Apartment zoned lot.

A subdivision (file No. 72/SUB-560) was approved December 28, 1972, for the consolidation of Lots 11 and 12, Block B of Land Court Application 1074 (Map 126) (Tax Map Key 1-1-18: 11 and 12) at Moanalua, into Lot 3359 of 15,000 square feet and new Tax Map Key 1-1-18: 12.

The number of all-weather off-street parking spaces (10) considered nonconforming.

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 applicable 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 records for subdivision and zoning purposes."

9. Easements. In addition to any easements herein designated in the limited common elements, the dwelling units and common elements shall have and be subject to the following easements:

a) Each unit shall have appurtenant thereto non-exclusive easements in the common elements designed for such purposes as ingress to, egress from, utility services for and support of such unit; in the other common elements for use according to their respective purposes, subject always to the exclusive or limited use of the limited common elements as herein provided.

b) If any part of the common elements encroaches upon any unit or limited common elements, or if any limited common element encroaches upon any part of the common elements or any other unit or limited common element, a valid easement for such encroachment and the maintenance thereof, so long as it continues, shall, and does, exist. In the event any unit in the project shall be partially or totally destroyed and then rebuilt, minor encroachments or any parts of the common elements due to construction shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist.

c) Each unit owner shall have an easement in common with the owner of any other unit to use all pipes, wires, ducts, cables, conduits, public utility lines and other common elements located in the project and serving his unit. Each unit shall be subject to an easement in favor of the owner of any other unit to use the pipes, ducts, cables, wires, conduits, public utility lines and other common elements serving such other units.

10. Alteration and Transfer of Interests. The common interest, elements and easements appurtenant to each unit shall have a permanent character, and shall not be altered without the consent of all owners or the units affected thereby and all of the institutional holders of all liens affecting any of the units affected, expressed in an amendment to this Declaration duly recorded. The common interest and easements shall not be separated

from such unit and shall be deemed to be conveyed or encumbered with such unit even though not expressly mentioned or described in the conveyance of other instrument. The common elements shall remain undivided, and no right shall exist to partition or divide any part thereof or the units except as provided by the Condominium Property Act.

11. Use. The units shall be occupied and used for residential purposes, or other uses permitted by zoning ordinances, by the respective owners thereof, their tenants, families, and domestic servants; provided, however, that Unit 1 shall also be used as a resident manager's office. In addition to and without limitation of the foregoing:

a) Spaces designated for the parking of motor vehicles shall be used solely for such purpose, in accordance with such reasonable regulations as shall be established by the Board of Directors from time to time.

b) No owner of any unit shall do, or suffer or permit to be done, anything in any unit which would impair the soundness or safety of the project, or which would increase the rate or result in the cancellation of insurance applicable to the project, or which would be noxious or offensive or an interference with the peaceful possession and proper use of other units, or which would require any alteration of or addition to any of the common elements which would fail to comply with any applicable law or regulation, or which would otherwise be in violation of law.

c) The owners of the respective units shall have the absolute right to lease such unit as a whole provided that all such leases shall be in writing and shall provide therein that the terms thereof shall be subject in all respects to the provisions of this Declaration, the By-Laws and House Rules and that any failure by the lessee to comply with the terms of such document shall be a default under said lease.

12. Administration of Project. Administration of the project shall be vested in the Association of Apartment Owners, herein called the "Association", consisting of all owners of the project in accordance with the By-Laws of said Association. Operation of the project and maintenance repair, replacement and restoration of the common elements, and any additions and alterations thereto, shall be in accordance with this Declaration and the By-Laws, and specifically but without limitation the Association shall:

a) Make, build, maintain and repair all fences, private sewers, private drains, private roads, private curbs, private sidewalks and parking areas which may be required by law to be made, built, maintained and repaired upon or adjoining or in connection with or for the use of the project or any part thereof.

b) Keep all common elements of the project in a strictly clean and sanitary condition, and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority for the time being applicable to the project or the use thereof.

c) Well and substantially repair, maintain, amend and keep all common elements of the project, with all necessary reparations and amendments whatsoever in good order and condition except as otherwise provided herein, and maintain and keep the common elements, if any, between any street boundary of the project and the established curb or street line in a neat and attractive condition and all trees, shrubs and grass thereon in good cultivation and replant the same as may be necessary, and repair and make good all defects in the common elements of the project herein required to be repaired by the Association, of which notice shall be given by any owner or his agent, within thirty (30) days after the giving of such notice.

d) Observe any setback lines affecting the project and not erect, place or maintain any building or structure whatsoever except approved fences or walls between any street boundary of the project and the setback line along such boundary.

e) Not make or suffer any strip or waste or unlawful, improper or offensive use of the Project.

f) Before commencing or permitting construction of any improvement on the project, obtain and deposit with the Secretary of the Association a bond or certificate thereof in a penal sum of not less than one hundred per cent (100%) of the cost of construction with a corporate surety authorized to do business in the State of Hawaii, guaranteeing performance of all construction free and clear of all mechanics' and materialmen's liens and all other claims arising under Section 514A-16 of the Hawaii Revised Statutes, as amended.

13. Person to Receive Service. JERRY YOUNG, whose business address is 3632 Salt Lake Boulevard, Apt. #1, Honolulu, Hawaii 96818, is hereby designated to receive notice of process until such time as the Board of Directors of the project is elected, at which time process may be served upon any member of the Board residing in the City and County of Honolulu.

14. Compliance with Declaration and By-Laws. All unit owners, their tenants, families, servants, guests, employees of an owner, and any other person who may in any manner use the property, as defined by the Condominium Property Act, shall be bound by and comply strictly with the provisions of this Declaration, the By-Laws of the Association, House Rules, and all agreements, decisions and determinations of the Association lawfully made or amended from

time to time, and failure to comply with any of the same shall be grounds for an action to recover sums due, for damages or injunctive relief, or both, maintainable by the Board of Directors or Managing Agent on behalf of the Association or, in a proper case, by an aggrieved unit owner.

15. Alteration of Project; Vote Required; Existing Use/ Restrictive Covenants.

In the event any Existing Use Permit, and/or Restrictive Covenants, affect the Project, all work hereinafter described shall be subject to the terms and conditions thereof.

a) Common Element

Any damage to or destruction of any common element of the Project shall be repaired, rebuilt or restored, at the expense of the Association, pursuant to a vote of not less than seventy-five percent (75%) of all unit owners of the Project.

b) Insurance; Individual (Units); Buildings; Replacement

Each unit owner shall procure and maintain his own homeowner's insurance, and, any repair, rebuilding, remodeling, alteration, or replacement of his unit required by any casualty thereto shall be at such owner's sole cost and expense, with the written consent of the holders of all liens affecting such unit; and, no part of the Association's funds shall be used for any such purpose; PROVIDED, HOWEVER, that the owners within each building shall obtain, and maintain, insurance coverage for damages to the structural components and those portions of their respective building, deemed a common element to those units that share them, from fire or any casualty, and shall pay a pro-rata share of the cost of such insurance, based on the number of units that share such common elements. All proceeds from such insurance shall be used to repair, rebuild, alter or replace any structural component, or portion of the building, as aforesaid, that has been damaged. PROVIDED, FURTHER, that if any such unit, or building cannot be rebuilt, repaired, restored or replaced under the laws then in effect, or the owners decide not to rebuild, then in such event, all insurance proceeds for such damages or destruction shall be paid to the owner of such unit or owners of the building, subject to the rights of any lien holder; such owner or owners shall remove all improvements or debris therefrom, and execute any document to release and convey all of their respective right, title and interest in and to the limited and/or common elements, including the land and the project, unto the other owner(s) of this Project who shall have the option to remove this Project from the provisions of Chapter 514A, HRS, as amended, or continue as a Condominium Property Regime in compliance with the then applicable laws, ordinances, rules and regulations.

c) Documentation

Upon completion of any of the foregoing work affecting the common element or individual unit, the Association or the Individual unit owner, respectively, shall, if applicable, comply with all laws, if any, relating to the amendment, or revisions, of documents and/or maps of this Project.

16. Amendment of Declaration. Except as otherwise provided herein or in said Condominium Property Act, this Declaration may be amended by a vote or written consent of not less than seventy-five percent (75%) of all unit owners, evidenced by an instrument in writing, signed and acknowledged by any two (2) officers of the Association, which amendment shall become effective upon recording in the Bureau of Conveyances of the State of Hawaii; PROVIDED, HOWEVER, that any material amendment shall not become effective without the prior written approval of all of the institutional holders of first mortgage liens affecting any of the units of the project. PROVIDED FURTHER, HOWEVER, that the Developer reserves the right to grant, reserve or adjust easements for common or public purposes, and to amend this Declaration and record in said Bureau without the consent or joinder of any unit owner after completion of the buildings herein described in order to (i) comply with provisions of Section 514A-12, Hawaii Revised Statutes, as amended, by attaching to the amended Declaration a statement of a registered architect or engineer stating that the Final Plans theretofore filed fully and actually depict the layout, location, unit numbers and dimensions of the dwellings as built; (ii) record an exhibit listing the parking stalls and/or such other parts of the project which may be or have been, assigned to any apartment as a limited common element; and (iii) comply with requirements of certain mortgagees and governmental or other entities, including, but not limited to the granting of any easements for utility or other purposes which are for the use and benefit of this Project.

17. Removal of Land and Buildings from the Provisions of the Condominium Property Regime. The property submitted to the Condominium Property Regime may be removed from the provisions of the Condominium Property Act by duly recorded instruments in compliance with the applicable provision of said Act.

18. Assessments, Charges and Taxes. Each owner shall pay all assessments, charges and outgoings of every kind and nature in the manner provided in this Declaration or in the By-Laws of the Association of Apartment Owners; provided, that each owner or occupant of any unit shall bear the charges, whether for taxes, utilities and other outgoings as may be separately charged or assessed against each such owner or occupant as by law provided.

19. Special Provisions. The Developer reserves the right to add to, delete from, and/or modify the Project or any part thereof, including without limitation, the right to merge with

other projects, or by adding later phases to the Project. Such right may be exercised by the Association in the event the Developer has completely divested itself of all interest in the Project.

20. Definitions; Headnotes. The terms "unit", "building" and "apartment", unless otherwise stated or inconsistent in context shall be synonymous. The headnotes or captions of each paragraph are for convenience only and shall not be construed as enlarging, restricting, modifying or otherwise affecting the meaning of the context thereof. The use of the singular number shall include the plural, and the use of any gender shall mean another, all as the context shall require.

IN WITNESS WHEREOF, the Developer has executed this Declaration this 5th day of July, 2006.

SLV, LLC

By Jerry Young
JERRY YOUNG
Member

By Larsen M. Luke
LARSEN M. LUKE
Member

"DEVELOPER"

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 5th day of July, 2006, before me appeared JERRY YOUNG, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Hawaii Limited Liability Company, and that the instrument was signed in behalf of the Company and said member acknowledged the instrument to be the free act and deed of the Company.

Vernon T. Ashima v.s.
Notary Public, State of Hawaii
Print/Type Name: VERNON T. ASHIMA

My commission expires: 9/26/2009

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 4th day of July, 2006, before me appeared LARSEN M. LUKE, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Hawaii Limited Liability Company, and that the instrument was signed in behalf of the Company and said member acknowledged the instrument to be the free act and deed of the Company.

Theresa S. Luke

Notary Public, State of Hawaii

Print/Type Name: Theresa S. Luke

My commission expires: 12/28/2009

EXHIBIT "A"

ALL of that certain parcel of land situated at Moanalua, Honolulu, City and County of Honolulu, State of Hawaii, described as follows:

LOT 3401, area 15,000 square feet, of Block B, as shown on Map 502, filed with Land Court Application No. 1074 of the Trustees under the Will and of the Estate of Samuel M. Damon, deceased.

Being all of the land described and covered by Transfer Certificate of Title No. 812,540 issued to SLV, LLC, a Registered Hawaii Limited Liability Company.

SUBJECT, HOWEVER, TO THE FOLLOWING:

1. Easement S-6 (10 feet wide), for sewer purposes, shown on Map No. 126 filed with Land Court Application No. 1074, as set forth by Land Court Order No. 12526, recorded January 7, 1954.

2. Easement T-4 (5 feet wide), for storm drain purposes, shown on Map No. 126 with Land Court Application No. 1074, as set forth by Land Court Order No. 12526, recorded January 7, 1954.

3. Mortgage dated January 26, 2001, made in favor of City Bank, a Hawaii corporation, recorded February 8, 2001 as Land Court Document No. 2682090 of Official Records.

4. A financing statement made by Diana Lynne Shelton, unmarried, to City Bank, a Hawaii corporation, recorded February 8, 2001 as Regular System Document No. 2001-018046 of Official Records.

END OF EXHIBIT "A"

EXHIBIT “N”

**FIRST AMENDMENT OF DECLARATION
SUBMITTING PROPERTY TO THE
CONDOMINIUM PROPERTY REGIME**

“LANIHALE”

EXHIBIT “N”

OFFICE OF THE
ASSISTANT REGISTRAR, LAND COURT
STATE OF HAWAII
(Bureau of Conveyances)

The original of this document was
recorded as follows.

DOCUMENT NO. _____

DATE _____ Doc 3472788
CTN 812,540
AUG 25, 2006 10:00 AM

LAND COURT SYSTEM

REGULAR SYSTEM

Return By: Mail () Pickup (x) To:

VERNON T. TASHIMA
Attorney-at-Law

PH: 521-2951

Total Pages: 3

TAX MAP KEY: (1) 1-1-018:012
Reference: TCT No. 812,540

FIRST AMENDMENT OF DECLARATION SUBMITTING
PROPERTY TO THE CONDOMINIUM PROPERTY REGIME

"LANI HALE

Condominium Map No. 1838

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, by a Declaration Submitting Property to the Condominium Property Regime, hereinafter called the "Declaration", dated July 5, 2006, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3450353, and noted on Transfer Certificate of Title No. 812,540, SLV, LLC, a Registered Hawaii Limited Liability Company, hereinafter called the "Developer", submitted the land and improvements therein described to the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, and

WHEREAS, said Developer desires to amend the Declaration as hereinafter provided, to conform to the provisions of Chapter 514B, Hawaii Revised Statutes.

NOW, THEREFORE, said Developer declares as follows:

A. That said Declaration is hereby amended:

1. By substituting "Chapter 514B for 514A" on the fifth line of the second preamble.

2. By amending subparagraph 2(b) entitled Parking; Mail Boxes. to read as follows:

"(b) Parking; Mail Boxes. There will be 17 parking spaces located along the common driveway as shown on the Condominium Map. Each unit will be assigned one space, as hereinafter indicated, and two stalls are reserved for guest parking. Only four (4) spaces will be under cover (under Building D)".

3. By amending subparagraph 6(a) entitled Parking Spaces by indicating that stall number 114 is completely, not partially, under cover.

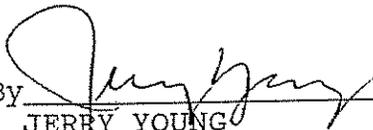
4. By amending subparagraph (i), of paragraphh 16, in its entirety, to read as follows:

"(i) Comply with the provisions of Section 514B-34".

B. Except as amended herein, all other declarations and provisions of said Declaration shall remain in full force and effect.

IN WITNESS WHEREOF, the Developer has executed this Amendment this 24th day of AUGUST, 2006.

SLV, LLC, a Registered Hawaii
Limited Liability Company

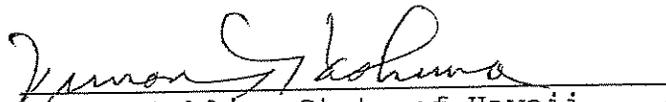
By  _____
JERRY YOUNG
Its Member

By  _____
LARSEN M. LUKE
Its Member

"DEVELOPER"

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 24th day of August, 2006, before me appeared JERRY YOUNG, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Hawaii Limited Liability Company, and that the instrument was signed in behalf of the company and said member acknowledged the instrument to be the free act and deed of the Company.


Notary Public, State of Hawaii L.S.
Print/Type Name: VERNON T. TASHIMA
My commission expires: 9/26/2009

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 24th day of August, 2006, before me appeared LARSEN M. LUKE, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Hawaii Limited Liability Company, and that the instrument was signed in behalf of the company and said member acknowledged the instrument to be the free act and deed of the Company.

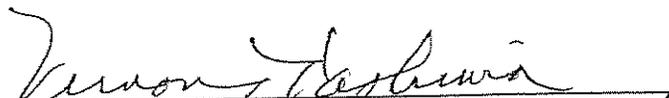

Notary Public, State of Hawaii L.S.
Print/Type Name: VERNON T. TASHIMA
My commission expires: 9/26/2009

EXHIBIT “O”

**BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS
OF
“LANI HALE”**

EXHIBIT “O”

Doc No. 3450354
July 07, 2006 12:00 PM
CTN 812,540

LAND COURT SYSTEM

REGULAR SYSTEM

Return By: Mail () Pickup (X) To:

VERNON T. TASHIMA
Attorney-at-Law

PH: 521-2951

TOTAL PAGES: 49

TMK NO. (1) 1-1-18:12

3632 Salt Lake Blvd., Honolulu, HI

BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS OF

"LANI HALE"

A CONDOMINIUM PROPERTY REGIME

CONDOMINIUM MAP NO. 1838

WHEREAS, SLV, LLC, a Registered Hawaii Limited Liability Company, whose address is 3632 Salt Lake Boulevard, Honolulu, Hawaii 96818, herein called the "DEVELOPER", has executed an instrument, herein called the "DECLARATION", whereby certain land and improvements thereon, herein called the "PROPERTY", are submitted to the provisions of Chapter 514A, Hawaii Revised Statutes, known as the Condominium Property Act, herein called the "ACT", to establish a Condominium Property Regime, herein called the "CPR" or "PROJECT", situated on the land more particularly described in Transfer Certificate of Title No. 812,540, to be known as "LANI HALE", a Condominium Project, and

WHEREAS, said Chapter 514A requires that the Project shall be governed by By-Laws, which shall be recorded in the same manner as the Declaration.

NOW, THEREFORE, Developer hereby declares that all of the Property hereinabove referred to is held and shall be used, conveyed, hypothecated, encumbered, leased, rented, occupied and improved

subject to the following By-Laws, all of which are declared and agreed to be in furtherance of the plan set forth in said Declaration, to constitute said property a Condominium Property Regime under said Chapter 514A. These By-Laws shall be binding upon all parties having or acquiring any right, title and interest in such property. Developer, acting as the present Association of Apartment Owners of said property, hereby approves and adopts these By-Laws.

ARTICLE I

ASSOCIATION OF OWNERS

MEMBERSHIP; MEETINGS

Section 1. Qualifications. All owners of units (herein called "Apartments") of the Project shall constitute the Association of Apartment Owners (herein called the "Association"). The owner of any apartment upon acquiring title thereto shall automatically become a member of the Association and shall remain a member thereof until such time as his ownership of such apartment ceases for any reason, at which time his membership in the Association shall automatically cease; PROVIDED, HOWEVER, that to such extent and for such purposes, including voting, as shall be provided by lease of any apartment registered under Chapter 501 or recorded under Chapter 502, the lessee of such apartment shall be deemed to be the owner thereof.

Section 2. Place of Meetings. Meetings of the Association shall be held at the project site or elsewhere within the State of Hawaii as may be designated by the Board.

Section 3. Annual Meetings. The first meeting of the Association of Apartment Owners shall be held not later than one hundred eighty (180) days after recordation of the first apartment conveyance; PROVIDED FURTHER, HOWEVER, forty per cent (40%) or more of the project has been sold and recorded. If forty per cent (40%) of the project is not sold and recorded at the end of one (1) year, an annual meeting shall be called; provided, ten per cent (10%) of the Apartment Owners so request.

Section 4. Special Meetings. Special meetings of the Association may be held at any time upon the call of the President or a petition signed by at least twenty-five per cent (25%) of the owners and presented to the Secretary.

Section 5. Notice of Meetings. Notices of association meetings, whether annual or special, shall be sent to each member of the association of apartment owners at least fourteen days prior

to the meeting and shall contain at least the date, time and place of the meeting, the items on the agenda for the meeting, and a standard proxy form by the association, if any.

Section 6... Quorum... The presence at any meeting in person or by proxy of a majority of owners shall constitute a quorum, and the acts of a majority of the owners at any meeting at which a quorum is present shall be the acts of the Association except as otherwise provided herein. The term "majority of owners" herein means the owners of the apartments to which are appurtenant more than fifty per cent (50%) of the common interests of said project as established by the Declaration.

Section 7. Voting: Voting shall be on a percentage basis, and the percentage of the total vote to which each apartment is entitled shall be the percentage of the common interests assigned to such apartment in the Declaration. Votes may be cast in person or by proxy by the respective owners as shown in the record of ownership of the Association. A personal representative, guardian or trustee may vote in person or by proxy at any meeting of the Association the percentage of vote for any apartment owned or controlled by him in such capacity, whether or not the same shall have been transferred to his name in the Association's record of ownership, provided that he shall first present evidence satisfactory to the Secretary that he owns or controls such apartment in such capacity. The vote for any apartment owned of record by two or more persons may be exercised by any one of them present at any meeting in the absence of protest by the other or others, and in case of protest each co-tenant shall be entitled to only a share of such vote in proportion to his share of ownership in such apartment. The purchaser of an apartment pursuant to an agreement of sale shall have the right to vote as provided in Section 514A-83, HRS. Votes allocated to any area that constitutes a common element under Section 514-13(h) HRS, as it may be amended, shall not be cast at any association meeting.

Section 8... Proxies....

(A) A proxy, to be valid, must:

- (i) Be delivered to the secretary of the association of apartment owners or the managing agent, if any, no later than 4:30 p.m. on the second business day prior to the date of the meeting to which it pertains;
- (ii) Contain at least the name of the association of apartment owners, the date of the meeting of the association of apartment owners, the printed names and signatures

of the persons giving the proxy, the apartments for which the proxy is given, and the date that the proxy is given; and

- (iii) Contain boxes wherein the owner has indicated that the proxy is given:
 - (a) For quorum purposes only;
 - (b) To the individual whose name is printed on a line next to this box;
 - (c) To the board of directors as a whole and that the vote be made on the basis of the preference of the majority of the board; or
 - (d) To those directors present at the meeting and the vote to be shared with each board member receiving an equal percentage.

(B) A proxy shall only be valid for the meeting to which the proxy pertains and its adjournments, may designate any person as proxy, and may be limited as the apartment owner desires and indicates; provided that no proxy shall be irrevocable unless coupled with a financial interest in the unit.

(C) No board of directors or member of the board shall use association funds to solicit proxies except for the distribution of proxies as set forth in Section 514A-82 (b) (4); provided that this shall not prevent an individual member of the board from soliciting proxies as an apartment owner under Section 514-82 (b) (4).

(D) A copy, facsimile telecommunication, or other reliable reproduction of a proxy may be used in lieu of the original proxy for any and all purposes for which the original proxy could be used; provided that any copy, facsimile telecommunication, or other reproduction shall be a complete reproduction of the entire original proxy.

(E) Nothing in this section shall affect the holder of any proxy under a first mortgage or record encumbering an apartment or under an agreement of sale affecting an apartment.

Section 9. Adjournment. Any meeting of the Association may be adjourned from time to time to such place and time as may be determined by majority vote of the owners present, whether or not a quorum be present, without notice other than the announcement at such meeting. At any such adjourned meeting at which a quorum is

present, any business may be transacted which might have been transacted by a quorum at the meeting as originally called.

Section 10. Order of Business: The order of business at all meetings of the Association shall be as follows:

- (A) Roll call.
- (B) Proof of notice of meeting.
- (C) Reading of minutes of preceding meeting.
- (D) Report of officers.
- (E) Report of committees.
- (F) Election of Directors. (When so required)
- (G) Unfinished business.
- (H) New business.

Section 11. Annual Registration of Association; Fidelity Bond.

(A) Each condominium project or association of apartment owners having six or more apartments shall:

- (i) Secure a fidelity bond in an amount equal to \$500 multiplied by the number of apartments to cover all officers, directors, employees, and managing agents of the association of apartment owners who handle, control, or have custody of the funds of the association of apartment owners; provided that the amount of the fidelity bond shall not be less than \$20,000 nor greater than \$100,000. The fidelity bond shall protect the association of apartment owners against fraudulent or dishonest acts by persons, including any managing agent handling the funds of the association of apartment owners. An association of apartment owners shall act promptly and diligently to recover from the fidelity bond required by this section. An association of apartment owners that is unable to obtain a fidelity bond may seek an exemption or bond alternative from the Real Estate Commission. Failure to obtain or maintain a fidelity bond in compliance with this Chapter 514A HRS and the rules adopted pursuant thereto, including failure to provide current evidence of the fidelity bond coverage in a timely manner to the commission, shall result in non-registration or the automatic termination of the registration, unless an approved

exemption or a bond alternative is presently maintained. Current evidence of a fidelity bond includes a certification statement from an insurance company registered with the department of commerce and consumer affairs certifying that the bond is in effect and meets the requirement of this section and the rules adopted by the commission.

- (ii) Register with the commission through approval of a completed registration application, payment of fees, and submission of any other additional information set forth by the commission. Beginning June 30, 1997, the registration shall be for a biennial period with termination on June 30 of an odd-numbered year. The commission shall prescribe a deadline date prior to the termination date for the submission of a completed re-registration application, payment of fees, and any other additional information set forth by the commission. Any condominium project or association of apartment owners that has not met the submission requirements by the deadline date shall be considered a new applicant for registration and subject to initial registration requirements. Any new condominium project or association of apartment owners shall register within thirty days of the association of apartment owners' first meeting. If the association of apartment owners has not held its first meeting and it is at least one year after the recording of the purchase of the first apartment in the condominium project, the developer or developer's affiliate or the managing agent shall register on behalf of the unorganized association of apartment owners and shall comply with this section, except the fidelity bond requirement for association of apartment owners. The public information required to be submitted on any completed application form shall include but not limited to evidence of and information on fidelity bond coverage; names and positions of the officers of the association; the name of the association of apartment owners; managing agent, if any; the street and

the postal address of the condominium, and the name and current mailing address of a designated officer of the association of apartment owners where the officer can be contacted directly;

- (iii) Pay a nonrefundable application fee and, upon approval, an initial registration fee and subsequently pay a re-registration fee, and the condominium management education fund fee, as provided in rules adopted by the director of commerce and consumer affairs pursuant to Chapter 91 HRS.
- (iv) Register or re-register and pay the required fees by the due date. Failure to register or re-register or to pay the required fees by the due date shall result in the assessment of a penalty equal to the amount of the registration or re-registration fee; and
- (v) Report immediately in writing to the commission any changes to the information contained on the registration or re-registration application, the evidence of the fidelity bond, or any other documents set forth by the commission. Failure to do so may result in termination of registration and subject the condominium project or the association of apartment owners to initial registration requirements.

(B) The commission may reject or terminate any registration submitted by a condominium project or an association of apartment owners that fails to comply with this section. Any association of apartment owners that fails to register as required by this section or whose registration is rejected or terminated shall not have standing to maintain any action or proceeding in the courts of this State until it registers. The failure of an association of apartment owners to register, or rejection or termination of its registration, shall not impair the validity of any contract or act of the association of apartment owners nor prevent the association of apartment owners from defending any action or proceeding in any court in this State.

ARTICLE II

BOARD OF DIRECTORS

Section 1. Number and Qualifications: The affairs of the Association shall be governed by a Board of Directors, hereinafter sometimes referred to as the "Board", which shall be composed of not less than _____ (_____) persons; provided that condominiums with more than one hundred individual apartment units shall have an elected Board of not less than nine (9) members unless not less than sixty-five percent of all apartment owners vote by mail ballot, or at a special or annual meeting, to reduce the number of directors. That all members of the Board shall be owners, co-owners, vendees under an agreement of sale, or an officer of any corporate owner of an apartment. The partners in a general partnership and the general partners of a limited partnership shall be deemed to be the owners of an apartment for this purpose. The directors shall serve without compensation. A director shall not vote or cast any proxy vote at any Board meeting nor shall a director vote at any board meeting on any issue in which the director has a conflict of interest. A director who has a conflict of interest on any issue before the board shall disclose the nature of the conflict of interest prior to a vote on that issue at the board meeting, and the minutes of the meeting shall record the fact that a disclosure was made. No resident manager shall serve on its Board of Directors. There shall not be more than one representative on the Board of Directors from any one apartment.

Section 2. Powers: The Board of Directors shall have all powers necessary for the administration of the affairs of the Association which powers are hereinafter more particularly set forth, and may do all such acts and things therefor as are not by law, the Declaration or these By-Laws directed to be exercised or done only by the owners.

Section 3. Election and Term: Election of directors shall be by ballot at each annual meeting and any special meeting called for the purpose. That for the initial term of office, directors shall hold office for a period of three (3) years or the term as specified in these by-laws, or until their respective successors have been elected or appointed. The term of office of the directors may be fixed for a different term pursuant to a duly adopted amendment of these By-Laws.

Section 4. Vacancies: Vacancies in the Board of Directors caused by any reason other than removal of a director by the Association shall be filled by vote of a majority of the remaining directors, even though they may constitute less than a quorum, and each person so elected shall be a director until his successor is elected at the next annual meeting of the Association. Death, incapacity or resignation of any director, or his continuous absence

from the State of Hawaii for more than six (6) months, or his ceasing to qualify for office as set forth above, shall cause this office to become vacant.

Section 5. Removal of Directors. At any regular or special meeting of the apartment owners, any one or more members of the directors may be removed by the apartment owners and successors shall then and there be elected for the remainder of the term to fill the vacancies thus created. The removal and replacement shall be by a vote of a majority of the apartment owners and, otherwise, in accordance with all applicable requirements and procedures in the bylaws for the removal and replacement of directors. If removal and replacement is to occur at a special association meeting, the call for such meeting shall be by the president or by a petition to the secretary or managing agent signed by not less than twenty-five percent (25%) of the apartment owners as shown in the association's record of ownership; provided that if the secretary or managing agent shall fail to send out the notices for the special meeting within fourteen days of receipt of the petition, then the petitioners shall have the authority to set the time, date and place for the special meeting, and to send out the notices for the special meeting in accordance with the requirements of the bylaws. Except as otherwise provided in this section, the meeting for the removal and replacement from office of directors shall be scheduled, noticed and conducted in accordance with the bylaws of the association.

Section 6. Annual Meeting. An organizational meeting of the Board of Directors shall be held at the place of and immediately following each annual meeting of the Association, and no notice shall be necessary to any director in order validly to constitute such meeting, provided that a majority of the whole Board shall be present. At such meeting the Board shall elect the officers of the Association for the ensuing year.

Section 7. Regular Meetings; Number and Notice of Meetings. The Board of Directors shall meet at least once a year. Whenever practicable, notice of all board meetings shall be posted by the resident manager or a member of the Board in prominent locations within the project seventy-two (72) hours prior to the meeting or simultaneously with notice to the Board of Directors.

Section 8. Special Meetings. Special meetings of the Board may be called by the President on at least twenty-four (24) hours notice to each director, given personally or by telephone or telegraph, which notice shall state the time, place and purpose of such meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and with like notice on the written request of at least two (2) directors.

Section 9. Open Meetings; Executive Sessions. All meetings of the Board other than executive sessions, shall be open to

all members of the Association; and Association members who are not on the Board may participate in any deliberation or discussion other than executive sessions, unless a majority of a quorum of the Board votes otherwise.

Provided, however that the Board, with the approval of a majority of a quorum of its members, may adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters or litigation in which the Association may become involved. The nature of any and all business to be considered in executive session shall first be announced in open sessions.

Section 10. Waiver of Notice. Before or at any meeting of the Board of Directors any director may in writing waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice to him of such meeting. If all the directors are present at any meeting of the Board, no notice thereof shall be required, and any business may be transacted at such meeting.

Section 11. Quorum of Board. At all meetings of the Board of Directors a majority of the total number of directors established by these By-laws shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at any meeting at which a quorum is present shall be the acts of the Board. If less than a quorum shall be present at any meeting of the Board, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 12. Fidelity Bonds. Unless required by any other provision of these By-laws, the Board of Directors may require that all officers, employees and agents of the Association handling or responsible for its funds, shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association. Such bonds shall in no event be in an amount less than one and one-half times the Association's estimated annual operating expenses and reserves and every such bond shall:

(A) provide that the bond(s) may not be canceled or substantially modified (including cancellation for nonpayment of premiums) without thirty (30) days prior written notice to the Board, the first mortgagee and every person in interest who shall have requested such notice; and

(B) contain a waiver of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

Section 13. Liability and Indemnity of the Board of Directors: The members of the Board of Directors shall not be liable to the Apartment Owners for any mistake of judgment or otherwise except for their own individual negligence or willful misconduct. The Association of Apartment Owners shall indemnify each Director of the Association against all costs, expenses and liabilities, including the amounts of judgments, amounts paid in compromise settlements and amounts paid for services of counsel and other related expenses which may be incurred by or imposed on him in connection with any claim, action, suit, proceeding, investigation or inquiry hereinafter made, instituted or threatened in which he may be involved as a party or otherwise by reason of his being or having been such Director, or by reason of any past or future action taken or authorized or approved by him or any omission to act as such Director, whether or not he continues to be such Director at the time of the incurring or imposition of such costs, expenses or liabilities, except as shall relate to matters as to which he shall in such action, suit or proceeding be finally adjudged to be, or shall be, liable by reason of this negligence or willful misconduct toward the Association in the performance of his duties as such Director. As to whether or not a Director was liable by reason of negligence or willful misconduct toward the Association in the performance of his duties as such Director, in the absence of such final adjudication of the existence of such liability, the Board of Directors and each Director may conclusively rely upon an opinion of legal counsel selected by or in the manner designated by the Board of Directors. The foregoing right of indemnification shall not be exclusive of other rights to which any such Director may be entitled as a matter of law or otherwise, and shall inure to the benefit of the heirs, personal representatives and assigns of each such Director.

Section 14. Directors Fees, Costs: Directors shall not expend association funds for their travel, directors fees, and per diems, unless owners are informed and a majority approve of these expenses.

Section 15. Fiduciary Duty: Each director shall owe the Association of Apartment Owners a fiduciary duty in the performance of the director's responsibilities.

Section 16. Borrowing of Money: Subject to any approval requirements and spending limits contained in the Declaration or in these By-laws, the board of directors may authorize the borrowing of money to be used by the association for repair, replacement, maintenance, operation, or administration of the common elements of the project, or the making of any additions, alterations, and improvements thereto. The cost of such borrowing, including, without limitation, all principal, interest, commitment fees, and other expenses payable with respect to such borrowing, shall be a common expense of the project; provided that owners representing fifty per cent of the common interest and apartments give written consent to

such borrowing, having been first notified of the purpose and use of the funds..

Section 17. Education & Training Fees: The directors may expend association funds, which shall not be deemed to be compensation to the directors, to educate and train themselves in subject areas directly related to their duties and responsibilities as directors; provided that the approved annual operating budget shall include these expenses as separate line items. These expenses may include registration fees, books, videos, tapes, other educational materials, and economy travel expenses. Except for economy travel expenses within the State, all other travel expenses incurred under this section shall be subject to the requirements of Section 514A-82(b) (10).

Section 18. Audits; Financial Statement; Furnishing Copy. The Association of Apartment Owners shall require an annual audit of the association's financial accounts and no less than one annual unannounced verification of the association's cash balance by a public accountant; provided that if the association is comprised of less than twenty owners, the annual audit and the annual unannounced cash balance verification may be waived by a majority vote of all apartment owners taken at an association meeting.

The Board of Directors of the association shall make available a copy of the annual audit to each apartment owner at least thirty (30) days prior to the annual meeting which follows the end of the fiscal year. The board shall provide upon all official proxy forms a box wherein the owner may indicate that the owner wishes to obtain either a summary of the annual audit report, or an unabridged copy of the annual audit report. The board shall not be required to submit a summary of the annual audit report or a copy of the annual audit report to the owner if the proxy form is not marked. If the annual audit has not been completed by that date, the board shall make available:

(A) An unaudited year end financial statement for the fiscal year to each apartment owner at least thirty days prior to the annual meeting; and

(B) The annual audit to all owners at the annual meeting, or as soon as the audit is completed, whichever occurs later.

If the association's fiscal year ends less than two months prior to the convening of the annual meeting, the year to date unaudited financial statement may cover the period from the beginning of the association's fiscal year to the end of the month preceding the date on which notice of the annual meeting is mailed.

Section 19. Telecommunications Equipment: The Board shall have the authority to install, or cause the installation of,

antennas, conduits, chases, cables, wires, and other television equipment upon the common elements of the Project; and shall be authorized to abandon or change the use of any television signaling distribution or telecommunications equipment; all pursuant to the pertinent provisions of the Act.

ARTICLE III

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a President, a Vice-President, a Secretary, and a Treasurer, all of whom shall be elected by and, in the case of President, from the Board of Directors. The Board may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgment may be necessary.

Section 2. Election and Term. The officers of the Association shall be elected annually by the Board of Directors at its annual meeting and shall hold office at the pleasure of the Board.

Section 3. Removal. Any officer may be removed either with or without cause by vote of a majority of the members of the Board of Directors, and his successor elected, at any regular meeting of the Board or any special meeting called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board of Directors. Subject to the control of the Board he shall exercise general supervision and direction over the management and conduct of the business and affairs of the Association. He shall also have such other powers and duties as may be provided by these By-laws or assigned to him from time to time by the Board.

Section 5. Vice-President. The Vice-President shall assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. He shall also have such other powers and duties as may be assigned to him from time to time by the Board. If neither the President nor the Vice-President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis.

Section 6. Secretary. The Secretary shall attend and keep the minutes of all meetings of the Association and of the Board of Directors, give all notices thereof as provided by these By-laws, keep a minute book wherein resolutions shall be recorded, keep a record of ownership of all apartments, have charge of all documents and records of the Association as the Board may direct;

and in general perform all the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall keep the financial records and books of account; and also supervise the Managing Agent's custody of all funds of the Association, maintenance of accounts and records thereof and preparation of financial reports.

ARTICLE IV

ADMINISTRATION

Section 1. Management. The Board of Directors shall at all times manage and operate the project and have such powers and duties as may be necessary or proper therefor including without limitation the following:

(A) Supervision of its immediate management and operation;

(B) Maintenance, repair, replacement and restoration of the common elements and any additions and alterations thereto;

(C) Purchase, maintenance and replacement of any equipment and provision of all water and utility services required for the common elements;

(D) Provide each apartment with water, sewer, electricity and such other utility services as the Board shall deem necessary either at the expense of such apartment or as a common expense as determined by the Board;

(E) Employment, supervision and dismissal of such personnel as may be necessary for the maintenance and operation of the project;

(F) Preparation of an annual operating budget as hereinafter provided.

(G) Collection of all installments of assessments levied and payment of all common expenses authorized by the Board;

(H) Purchase and maintain in effect of all policies of hazard and liability insurance for the project required by the Declaration and such other insurance and bonds as may be required or authorized by the Declaration or the Board;

(I) Custody and control of all funds of the Association, maintenance of full and accurate books of account and

records of such funds and preparation of regular financial reports... thereof;

(J) Notification of all persons having any interest in any apartment according to the Association's records of ownership of delinquency exceeding sixty (60) days in the payment of any assessment against such apartment; and

Section 2... Managing Agent; Manager.....

(A) The Board of Directors may employ a Managing Agent to manage and control the project subject at all times to the direction by the Board, with all the administrative functions set forth specifically in the preceding Section 1 and such other powers and duties and for such term and compensation as the Board may establish; provided, however, that a managing agent shall:

- (i) Be licensed as a real estate broker in compliance with Chapter 467 and the rules of the commission or be a corporation authorized to do business under Article 8 of Chapter 412. The registration and fidelity bond requirements of this Section shall not apply to active real estate brokers in compliance with, and licensed under, said Chapter 467.
- (ii) Register with the commission prior to conducting managing agent activity through approval of a completed registration application, payment of fees, and submission of any other additional information set forth by the commission. Beginning December 31, 1996, the registration shall be for a biennial period with termination on December 31 of an even-numbered year. The commission shall prescribe a deadline date prior to the termination date for the submission of a completed re-registration application, payment of fees, and any other additional information set forth by the commission. Any managing agent who has not met the submission requirements by the deadline date shall be considered a new applicant for registration and subject to initial registration requirements. The information required to be submitted with any application shall include but not limited to evidence of and information on fidelity bond coverage, name, business address,

phone number, and names of association of apartment owners managed;

- (iii) Provide evidence with the initial registration application and re-registration application of a current fidelity bond in an amount equal to \$500 multiplied by the aggregate number of apartments of the association of apartment owners managed by the managing agent; provided that the amount of the bond shall not be less than \$20,000 nor greater than \$100,000. Current evidence of a fidelity bond includes a certification statement from an insurance company registered with the insurance division of the department of commerce and consumer affairs certifying that the bond is in effect and meets the requirement of this section and the rules adopted by the commission. The managing agent shall permit only employees covered by the fidelity bond to handle or have custody or control of any association of apartment owners funds, except any principals of the managing agent that cannot be covered by fidelity bond. The bond shall protect the managing agent against loss of any association of apartment owners' moneys, securities, or other properties caused by the fraudulent or dishonest acts of employees of the managing agent. Failure to obtain or maintain a fidelity bond in compliance with Chapter 514A HRS and the rules adopted pursuant thereto, including failure to provide complete evidence of the fidelity bond coverage in a timely manner to the commission, shall result in non-registration or the automatic termination of the registration, unless an approved exemption or a bond alternative is presently maintained. A managing agent who is unable to obtain a fidelity bond may seek an exemption from the fidelity bond requirement from the commission.

- (iv) Act promptly and diligently to recover from the bond, if the fraud or dishonesty of the managing agent's employees causes a loss to an association of apartment owners, and apply the bond proceeds, if

any, to reduce the association of apartment owners' loss. If more than one association of apartment owners suffers a loss, the managing agent shall divide the proceeds among the associations of apartment owners in proportion to each association of apartment owners' loss. An association of apartment owners may request a court order requiring the managing agent to act promptly and diligently to recover from the bond. If an association of apartment owners cannot recover its loss the bond proceeds of the managing agent, the association of apartment owners may recover by court order from the real estate recovery fund established under section 467-16, provided that:

- (a) The loss is caused by the fraud, misrepresentation, or deceit of the managing agent or its employees;
 - (b) The managing agent is a licensed real estate broker; and
 - (c) The association of apartment owners fulfills the requirements of sections 467-16 and 467-18 and any applicable rules of the commission;
- (v) Pay a nonrefundable application fee and, upon approval, an initial registration fee, and subsequently pay a re-registration fee, as prescribed by rules adopted by the director of commerce and consumer affairs pursuant to Chapter 91. A compliance resolution fee shall also be paid pursuant to section 26-9(o) and the rules adopted pursuant thereto; and
- (vi) Report immediately in writing to the commission any changes to the information contained on the registration application, the fidelity bond, or any other documents provided for registration. Failure to do so may result in termination of registration and subject the managing agent to initial registration requirements.

(B) The commission may deny any registration or re-registration application or terminate a registration without hearing if the fidelity bond and its evidence fail to meet the requirements of Chapter 514A HRS and the rules adopted pursuant thereto.

(C) Every managing agent shall be considered a fiduciary with respect to any property managed by that managing agent.

(D) No resident manager or managing agent shall solicit, for use by such manager or managing agent, any proxies from any apartment owner of the association of owners that employs the resident manager or managing agent, nor shall the resident manager or managing agent cast any proxy vote at any association meeting except for the purpose of establishing a quorum. Any board of directors that intends to use association funds to distribute proxies, including the standard proxy form referred to in Article I hereof, shall first post notice of its intent to distribute proxies in prominent locations within the project at least thirty (30) days prior to its distribution of proxies; provided, that if the board receives within seven days of the posted notice a request by any owner for use of association funds to solicit proxies accompanied by a statement, the board shall mail to all owners either:

- (i) A proxy form containing either the names of all owners who have requested the use of association funds for soliciting proxies accompanied by their statements; or
- (ii) A proxy form containing no names, but accompanied by a list of names of all owners who have requested the use of association funds for soliciting proxies and their statements. The statements shall not exceed one hundred words, indicating the owner's qualifications to serve on the board and reasons for wanting to receive proxies.

Section 3. Representation. The President or Managing Agent, subject to the direction of the Board of Directors, shall represent the Association or any two (2) or more apartment owners similarly situated as a class in any action, suit, hearing or other proceeding concerning the Association, the common elements or more than one (1) apartment, and on its or their behalf may institute, defend, intervene in, prosecute and settle any such actions, suits and proceedings, without prejudice to the rights of any apartment owner individually to appear, sue or be sued. Service of process on the Association or two (2) or more apartment owners in any such action, suit or proceeding may be made on the President or Managing Agent.

Section 4. Execution of Instruments. All checks, drafts, notes, acceptances, conveyances, contracts and other instruments shall be signed on behalf of the Association by such person or persons as shall be provided by general or special resolution applicable to such instrument, by the President or Vice-President and by the Treasurer or Secretary.

Section 5. Record of Ownership and Membership. The resident manager, the Managing Agent, or the Board shall keep an accurate and current list of the names and addresses of all members of the Association, including all vendees under any agreement of sale of an apartment in the project, if any. The list shall be maintained at a place designated by the Board and a copy shall be available, at cost, to any member of the Association as provided in the Declaration or By-laws or Rules and Regulations or, in any case, to any member who furnishes to the resident manager or managing agent or Board of Directors a duly executed and acknowledged affidavit stating that the list (1) will be used by such owner personally and only for the purpose of soliciting votes or proxies or providing information to other owners with respect to association matters and (2) shall not be used by such owner or furnished to anyone else for any other purpose. In connection therewith every apartment owner shall promptly cause to be duly recorded or filed of record the deed, lease, assignment, agreement of sale or other conveyance to him of such apartment or other evidence of his title thereto, and shall file a copy of such document(s) with such party maintaining said list of names and addresses of all members of the Association.

Section 6. Records, Examination; Disposal.

(A) The managing agent or Board of Directors shall keep detailed, accurate records in chronological order, of the receipts and expenditures affecting the common elements, specifying and itemizing the maintenance and repair expenses of the common elements and any other expenses incurred. The managing agent or Board of Directors shall also keep monthly statements indicating the total current delinquent dollar amount of any unpaid assessments for common expenses.

(B) All records and the vouchers authorizing the payments and statements shall be kept and maintained at the address of the project, or elsewhere within the State as determined by the Board of Directors.

(C) A managing agent employed or retained by one or more condominium associations may dispose of the records of any condominium association which are more than five years old without liability if the managing agent first provides the Board of Directors of the condominium association affected with written notice of

the managing agent's intent to dispose of the records if not retrieved by the Board of Directors within sixty days; which notice shall include an itemized list of the records which the managing agent intends to dispose of.

(D) No person shall knowingly make any false certificate, entry, or memorandum upon any of the books or records of any managing agent or association. No person shall knowingly alter, destroy, mutilate, or conceal any books or records of any managing agent or association.

Section 7. Association's Annual Operating Budget; Reserves.

(A) The board of directors of each association of apartment owners shall prepare and adopt an annual operating budget and distribute it to the apartment owners. At a minimum, the budget shall include the following:

- (i) The estimated revenues and operating expenses of the association;
- (ii) Information as to whether the budget has been prepared on a cash or accrual basis;
- (iii) The total replacement reserves of the association as of the date of the budget;
- (iv) The estimated replacement reserves the association will require to maintain the property based on a reserve study performed by the association;
- (v) A general explanation of how the estimated replacement reserves are computed;
- (vi) The amount the association must collect for the fiscal year to fund the estimated replacement reserves; and
- (vii) Information as to whether the amount the association must collect for the fiscal year to fund the estimated replacement reserves was calculated using a percentage funded or cash flow plan. The method or plan shall not circumvent the estimated replacement reserves amount determined by the reserve study pursuant to paragraph (iv).

(B) The association shall assess the apartment owners to either fund a minimum of fifty percent of the estimated

replacement reserves or fund one hundred per cent of the estimated replacement reserves when using a cash flow plan; provided that any new association created after January 1, 1993, need not collect the estimated replacement reserves until the fiscal year which begins after the association's first annual meeting. For each fiscal year, the association shall collect the amount assessed to fund the estimated replacement for that fiscal year reserves, as determined by the association's plan, except:

(i) The commission shall adopt rules to permit an existing association to fund its

estimated replacement reserves in increments after January 1, 1993 and prior to January 1, 2000; and

(ii) The commission shall adopt rules to permit an association to fund in increments over three years, estimated replacement reserves that have been substantially depleted by an emergency.

(C) The association shall compute the estimated replacement reserves by a formula which is based on the estimated life and the estimated capital expenditure or major maintenance required for each part of the property. The estimated replacement of reserves shall include:

(i) Adjustments for revenues which will be received and expenditures which will be made before the beginning of the fiscal year to which the budget relates; and

(ii) Separate, designated reserves for each part of the property for which capital expenditures or major maintenance will exceed \$10,000. Parts of the property for which capital expenditures or major maintenance will not exceed \$10,000 may be aggregated in a single designated reserve.

(D) No association owner, director, officer, managing agent, or employee of an association who makes a good faith effort to calculate the estimated replacement reserves for an association shall be liable if the estimate subsequently prove incorrect.

(E) A copy of the annual operating budget of the association shall be furnished to the commission upon request.

(F) A board may not exceed its total adopted annual operating budget by more than twenty percent during the fiscal year to which the budget relates, except in emergency situations. Prior to the imposition or collection of an assessment under this paragraph, the board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the members with the notice of assessment.

(G) The requirements of this section shall override any requirements in an association's declaration, bylaws, or any other association documents relating to preparation of budgets, calculation of reserve requirements, assessment and funding of reserves, with the exception of:

- (i) Any provisions relating to the repair and maintenance of property;
- (ii) Any requirements in an association's declaration, bylaws, or any other association documents which require the association to collect more than fifty per cent of reserve requirements; or
- (iii) Any provisions relating to upgrading the common elements, such as additions, improvements, and alterations to the common elements.

(H) Subject to the procedures of Section 514A-94 HRS and any rules adopted by the commission, any apartment owner whose association board fails to comply with this section may enforce compliance by the board. In any proceedings to enforce compliance, a board which has not prepared an annual operating budget and reserve study shall have the burden of proving it has complied with this section.

(I) Definitions: The terms "Capital Expenditure"; "Emergency Situation"; "Major Maintenance"; and "Replacement Reserve"; and "Cash Flow Plan" are as defined in Section 514A-83.6 HRS, as amended.

Section 8. Management Contracts; Developer: If the developer or any affiliate of the developer acts as the first managing agent for the association of apartment owners following its organization, the contract shall not have a term exceeding one year and shall contain a provision that the contract may be terminated by either party thereto on not more than sixty days' written notice. The identity of the managing agent as the developer or the developer's affiliate shall be disclosed to the association no later than the first meeting of the association. An affiliate of,

or person affiliated with a developer is a person that directly or indirectly controls, is controlled by, or is under common control with, the developer.

ARTICLE V

USE AND MAINTENANCE OF PREMISES

Section 1. Use of Project

(A) All apartments of the project shall be used only as residential and dwelling units by the respective owners thereof, their tenants, families, domestic servants and guests.

(B) All common elements of the project shall be used only for their respective purposes as designed.

(C) No apartment owner or occupant shall place, store or maintain in the walkways, sidewalks, parking areas, drive ways, roads, grounds or other common elements of similar nature any furniture, packages or objects of any kind or otherwise obstruct transit through such common elements.

(D) Every apartment owner and occupant shall at all times keep his apartment in a strictly clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association for the time being applicable to the use of the project.

(E) No apartment owner or occupant shall make or suffer any strip or waste or unlawful, improper or offensive use of his apartment or the project nor alter or remove any furniture, furnishings or equipment from the common elements.

(F) No apartment owner or occupant shall erect or place in the project any building or structure including fences and walls, nor make any additions or alterations to the common elements or exterior structure of his apartment or make any additions or alterations to his apartment which may affect any common elements or change the exterior appearance of the building, nor place or maintain thereon any signs, posters or bills whatsoever, except as approved by the Board of Directors.

(G) No apartment owner shall decorate or landscape any entrance, planting area or lanai appurtenant to his apartment except in accordance with standards therefor established by the Board of Directors or specific plans approved in writing by the Board.

(H) All occupants shall exercise extreme care about making noises and in the use of musical instruments, radios, televisions and amplifiers that may disturb other occupants.

(I) No garments, rugs or other objects shall be hung from the windows or facades of the project.

(J) No rugs or other objects shall be dusted or shaken from the windows of the project or cleaned by beating or sweeping onto any exterior part of the project.

(K) No refuse, garbage or trash of any kind shall be thrown, placed or kept in any common elements of the project outside of the disposal facilities provided for such purposes.

(L) No livestock, poultry, rabbits, dogs, cats, birds or other animals or pets whatsoever, and all animals defined as "pests", or are prohibited from importation under the laws of the State of Hawaii, shall be allowed or kept within an apartment or upon any part of the project, except that any legal occupant of any apartment having a disability requiring the assistance of an animal, such as a "seeing eye" or "guide" dog, may keep such animal, certified as such animal.

(M) No apartment owner or occupant shall without the written approval of the Board of Directors install any wiring for electrical or telephone installations, television antennas, machines or air conditioning units, or other equipment or appurtenances whatsoever on the exterior of the project or protruding through the walls, windows or roof thereof.

(N) Nothing shall be allowed, done or kept in any apartment or common elements of the project which would cause any increase in the ordinary premium rates or the cancellation or invalidation of any insurance thereon maintained by or for the Association.

Section 2. Maintenance of Apartment; Prohibited Work. Every apartment owner shall at his own expense at all times well and substantially repair, maintain, amend and keep his apartment, including without limitation all internal installations thereon such as water, electricity, gas, telephone, sewer, sanitation, air conditioning, lights and all other fixtures and accessories belonging to such apartment and the interior decorated or finished surfaces of all walls, floors and ceilings of such apartment; with all necessary reparations and amendments whatsoever, in good order and condition except as otherwise provided by law or the Declaration, and shall be liable for all loss or damage whatsoever caused by his failure to perform any such work diligently; and in case of such failure after reasonable notice to perform shall reimburse to the Association promptly on demand all expenses incurred by it in performing any such work authorized by the Board of Directors or the

Managing Agent. Every apartment owner and occupant shall reimburse the Association promptly on demand all expenses incurred by it in repairing or replacing any uninsured loss or damage to the common elements or any furniture, furnishings and equipment thereof caused by such owner or occupant or any person under either of them and shall give prompt notice to the Managing Agent of any such loss or damage or other defect in the project when discovered.

Any provision in these By-laws to the contrary notwithstanding, no apartment owner shall do any work which could jeopardize the soundness or safety of the property, reduce the market value thereof, or impair any easement or hereditament, nor may add any material structure or excavate any additional basement or cellar, nor add any non-material structural additions, such as solar energy devices, except in compliance with the provisions of Section 514A-89 HRS, as it exists, or as amended.

ARTICLE VI

COMMON EXPENSES, LIMITED COMMON ELEMENTS COSTS AND EXPENSES, APARTMENT EXPENSES, TAXES AND ACCOUNTING

Section 1. Common Expenses.

(A) Expenses Included. Accounting for common expenses shall commence as of the recordation of the first conveyance of an Apartment by the Developer. Common expenses shall be assessed and paid as provided in subsection (b) below and shall include all charges for taxes (except real property taxes and other such taxes which are or may hereafter be assessed separately on each Apartment and the common interest in the common elements appertaining thereto or the personal property or any other interest of the Owner), assessments, insurance (including fire and other casualty and liability insurance), costs of repair, reinstatement, rebuilding and replacement of the common elements, costs of yard, janitorial and other similar services, wages, accounting and legal fees, management fees and other necessary expenses of upkeep, maintenance, management and operation actually incurred on or for the common elements, excluding limited common elements, and the cost of all utility services (including water, electricity, gas, garbage disposal and any other similar services) unless separately metered, in which case the amounts charged to each Apartment shall be payable by the Owner of such Apartment. The common expenses may also include such amounts as the Board of Directors may deem proper to make up any deficit in the common expense assessments for any prior year and a reserve fund for the operation and maintenance of the property, including, without limitation, anticipated needs for working capital of the Project, and for replacements, repairs and contingencies.

(B) Method of Determining and Paying Assessments.

Each Owner shall be liable for and pay a share of the common expenses in proportion to the undivided interest in the common elements appurtenant to his Apartment. Assessments of common expenses shall be payable in monthly installments on the first day of each month, commencing with respect to all Apartments on the first day of the first month following the recordation of the first conveyance of an Apartment by the Developer. The Developer shall fix the rate of the monthly installments of common expenses until such rate shall be redetermined by the Board of Directors. The Board of Directors shall annually determine the rate of common expense assessments and shall send written notice to each Owner of the amount of the monthly installments applicable to such Owner's Apartment not less than fifteen (15) days in advance of the beginning of such annual assessment period. The Board of Directors may from time to time during any year increase the assessment rate or impose a special assessment to make up any existing deficiency whenever for any reason the rate then in effect shall prove inadequate; provided that the Board of Directors shall send to all Apartment Owners written notice of any such increase or special assessment or maintenance fee increases not less than thirty (30) days before the effective date of such increase or assessment. Any portion of an Owner's assessments used or to be used by the Association for capital improvements or any other capital expenditures shall not be treated as income to the Association but shall be treated as a capital contribution by the Owners to the Association and shall be credited by the Association upon its books as paid-in-surplus. Payments of common expenses shall be made to the Board as agent of the Owners of the Apartment, and the Board shall transmit such payments on behalf of each such Owner to the third person entitled to such payments from each Owner.

(C) Limited Common Elements Costs and Expenses.

All limited common elements costs and expenses, including but not limited to, maintenance, repair, replacement, additions and improvements shall be charged to the Owner of the Apartment to which the limited common element is appurtenant in an equitable manner.

Section 2. Payment as Agent. The Board will pay or cause to be paid, on behalf of the Owners, all common expenses and Apartment expenses. The Board will maintain separate books of account of common expenses and Apartment expenses in accordance with recognized accounting practices. The Board, or manager as directed by the Board, shall keep detailed, accurate records in chronological order, of the receipts and expenditures affecting the common elements, specifying and itemizing the maintenance and repair expenses of the common elements and any other expense incurred. The Board, or manager, shall also keep monthly statements indicating the total current delinquent dollar amount of any unpaid assessments for common expenses. All records and the vouchers authorizing the payments and statements shall be kept and maintained at the

address of the project, or elsewhere within the State as determined by the Board of Directors, and shall be available for examination by the Apartment Owners at convenient hours of week days. The Board will annually render or cause to be rendered a statement to each Owner of all receipts and disbursements during the preceding year.

Section 3. Taxes and Assessments. Each Owner of an apartment shall be obligated to pay the real property taxes for his own apartment and its appurtenant interest in the common elements assessed separately by the proper governmental authority. The foregoing sentence shall apply to all types of taxes which now are or may hereafter be assessed separately by law on each apartment and the common interest in the common elements appertaining thereto or the personal property or any other interest of the Owner. Each Owner shall execute such documents and take such action as may be reasonably specified by the Board to facilitate dealing with the proper governmental authority regarding such taxes, other taxes and assessments. Each Owner shall be obligated to pay to the Board his proportionate share of any assessment by the Board for any portion of taxes or assessments, if any, assessed against the entire premises or any part of the common elements as a whole and not separately, such payment to be made as directed by the Board. If, in the opinion of the Board, any taxes or assessments may be a lien on the entire premises or any part of the common elements, the Board may pay such taxes or assessments and shall assess the same to the Owners in their proportionate share as determined by the Board. Such assessments by the Board shall be secured by the lien created by Section 4 of this Article VI.

Section 4. Priority of Lien.

(A) All sums assessed by the association of apartment owners but unpaid for the share of the common expenses chargeable to any apartment constitute a lien on the apartment prior to all other liens, except (1) Liens for taxes and assessments lawfully imposed by governmental authority against the apartment; and (2) All sums unpaid on mortgage of record that was recorded prior to the recordation of a notice of lien by the association of apartment owners, and costs and expenses including attorneys' fees provided in such mortgages. The lien of the association of apartment owners may be enforced by the Association in any manner authorized by law, including non-judicial or power of sale foreclosure procedures authorized by Chapter 667; by the managing agent or board of directors, acting on behalf of the association of apartment owners, in like manner as a mortgage of real property. In any such foreclosure the apartment owner shall be required to pay a reasonable rental for the apartment, if so provided in the bylaws, and the plaintiff in the foreclosure shall be entitled to the appointment of a receiver to collect the rental owed. The managing agent or board of directors, acting on behalf of the association of apartment owners, unless prohibited by the Declaration, may bid on the

apartment at foreclosure sale, and acquire and hold, lease, mortgage, and convey the apartment. Action to recover a money judgment for unpaid common expenses shall be maintainable without foreclosure or waiving the lien securing the unpaid common expenses owed.

(B) Except as provided in subsection G, when the mortgagee of a mortgage of record or other purchaser of an apartment obtains title to the apartment as a result of foreclosure of the mortgage, the acquirer of title, and the acquirer's successors and assigns, shall not be liable for the share of common expenses or assessments by the association of apartment owners chargeable to the apartment which became due prior to the acquisition of title to the apartment by the acquirer. The unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the apartment owners, including the acquirer, and the acquirer's successors and assigns. The mortgagee of record or other purchaser of the apartment shall be deemed to acquire title and shall be required to pay the apartment's share of common expenses and assessments beginning:

- (i) Thirty-six days after the order confirming the sale to the purchaser has been filed with the court;
- (ii) Sixty days after the hearing at which the court grants the motion to confirm the sale to the purchaser;
- (iii) Thirty days after the public sale in a nonjudicial power of sale foreclosure pursuant to Section 667-5; or
- (iv) Upon the recording of the instrument of conveyance,

whichever occurs first; provided that the mortgagee of record or other purchaser of the apartment shall not be deemed to acquire title under paragraph (1), (2), or (3), if transfer of title is delayed past the thirty-six day specified in paragraph (1), the sixty days specified in paragraph (2), or the thirty days specified in paragraph (3), when a person who appears at the hearing on the motion or a party to the foreclosure actions requests reconsideration of the motion or order to confirm sale, objects to the form of the proposed order to confirm sale, appeals the decision of the court to grant the motion to confirm sale, or the debtor or mortgagor declares bankruptcy or is involuntarily placed into bankruptcy. In any such case, the mortgagee of record or other purchaser of the apartment shall be deemed to acquire title upon recordation of the instrument of conveyance.

(C) No apartment owner shall withhold any assessment or payment claimed by the association. An apartment owner who disputes

the amount of an assessment may request a written statement clearly indicating:

- (i) The amount of common expenses included in the assessment, including the due date of each amount claimed;
- (ii) The amount of any penalty, late fee, lien filing fee, and any other charge included on the assessment;
- (iii) The amount of attorney's fees and costs, if any, included in the assessment;
- (iv) That under Hawaii law, an apartment owner has no right to withhold assessments for any reason;
- (v) That an apartment owner has a right to demand mediation or arbitration to resolve disputes about the amount or validity of an association's assessment, provided the apartment owner immediately pays the assessment in full and keeps assessments current; and
- (vi) That payment in full of the assessment does not prevent the owner from contesting the assessment or receiving a refund of amounts not owed.

Nothing in this section shall limit the rights of an owner to the protection of all fair debt collection procedures mandated under federal and state law.

(D) An apartment owner who pays an association the full amount claimed by the association may file in small claims court or require the association to mediate to resolve any disputes concerning the amount or validity of the association's claim. If the apartment owner and the association are unable to resolve the dispute through mediation, either party may file for arbitration under part VII of chapter 514A; provided that an apartment owner may only file for arbitration if all amounts claimed by the association are paid in full on or before the date of filing. If the apartment owner fails to keep all association assessments current during the arbitration, the association may ask the arbitrator to temporarily suspend the arbitration proceedings. If the apartment owner pays all association assessments within thirty days of the date of suspension, the apartment owner may ask the arbitrator to recommence the arbitration proceedings. If the owner fails to pay all association assessments by the end of the thirty-day period, the association may ask the arbitrator to dismiss the arbitration.

proceedings. The apartment owner shall be entitled to a refund of any amounts paid to the association which are not owed.

(E) As an alternative to foreclosure proceedings under subsection (A), where an apartment is owner-occupied, the association of apartment owners may authorize its managing agent or board of directors to, after sixty days' written notice to the apartment owner and to the apartment's first mortgagee of the non-payment of the apartment's share of common expenses, terminate the delinquent apartment's access to the common elements and cease supplying a delinquent apartment with any and all services normally supplied or paid for by the association of apartment owners. Any terminated services and privileges shall be restored upon payment of all delinquent assessments.

(F) Before the Board of Directors or managing agent may take the actions permitted under subsection (E), the board must adopt a written policy providing for such actions and have the policy approved by a majority vote of the apartment owners at an annual or special meeting of the association or by the written consent of a majority of the apartment owners.

(G) Subject to this subsection, and subsections (H) and (I), the board of an association of apartment owners may specially assess the amount of the unpaid regular monthly common assessments for common area expenses against a person who, in a judicial or non-judicial power of sale foreclosure, purchases a delinquent apartment; provided that:

- (i) A purchaser who holds a mortgage on a delinquent apartment that was recorded prior to the filing of a notice of lien by the association of apartment owners and who acquires the delinquent apartment through a judicial or non-judicial foreclosure proceeding, including purchasing the delinquent apartment at a foreclosure auction, shall not be obligated to make, nor be liable for, payment of the special assessment as provided for under this subsection; and
- (ii) A person who subsequently purchases the delinquent apartment from the mortgagee referred to in paragraph (i) shall be obligated to make, and shall be liable for, payment of the special assessment provided for under this subsection; provided that the mortgagee or subsequent purchaser may require the association of apartment owners to provide, at no charge, a notice of the Association's intent to

claim a lien against the delinquent apartment for the amount of the special assessment, prior to the subsequent purchaser's acquisition of title to the delinquent apartment. The notice shall state the amount of the special assessment, how the amount was calculated, and the legal description of the apartment.

(H) The amount of the special assessment assessed under subsection (G) shall not exceed the total amount of unpaid regular monthly common assessments that were assessed during the six months immediately preceding the completion of the judicial or non-judicial power of sale foreclosure. In no event shall the amount of the special assessment exceed the sum of \$1,800.

(I) For purposes of subsections (G) and (H), the following definitions shall apply:

(i) "Completion" means:

- (a) In a non-judicial power of sale foreclosure, when the affidavit required under section 667-5 is filed; and
- (b) In a judicial foreclosure, when a purchaser is deemed to acquire title pursuant to subsection (B).

(ii) "Regular monthly common assessments" shall not include:

- (a) Any other special assessment, except for a special assessment imposed on all apartments as part of a budget adopted pursuant to section 514A-83.6;
- (b) Late charges, fines, or penalties;
- (c) Interest assessed by the association of apartment owners;
- (d) Any lien arising out of the assessment; or
- (e) Any fees or costs related to the collection or enforcement of the assessment, including attorneys' fees and court costs.

Section 5. Collection from Tenants.

(A) If the owner of an apartment rents or leases the apartment and is in default for thirty days or more in the payment of the apartment's share of the common expenses, the Board of Directors, for as long as the default continues, may demand in writing and receive each month from any tenant occupying the apartment, an amount sufficient to pay all the sums due from the apartment owner to the association, including interest, if any, but the amount shall not exceed the tenant's rent due each month. The tenant's payment under this section shall discharge that amount of payment from the tenant's rent obligation, and any contractual provision to the contrary shall be void as a matter of law.

(B) Prior to taking any action under this section, the Board of Directors shall give to the delinquent apartment owner written notice of its intent to collect the rent owed. The notice shall:

- (i) Be sent both by first-class and certified mail;
- (ii) Set forth the exact amount the association claims is due and owing by the apartment owner; and
- (iii) Indicate the intent of the board of directors to collect such amount from the rent, along with any other amounts that become due and remain unpaid.

(C) The apartment owner shall not take any retaliatory action against the tenant for payments made under this section.

(D) The payment of any portion of the apartment's share of common expenses by the tenant pursuant to a written demand by the board is a complete defense, to the extent of the amount demanded and paid by the tenant, in an action for nonpayment of rent brought by the apartment owner against a tenant.

(E) The board may not demand payment from the tenant pursuant to this section if:

- (i) A commissioner or receiver has been appointed to take charge of the premises pending a mortgage foreclosure;
- (ii) A mortgagee is in possession pending a mortgage foreclosure; or

(iii) The tenant is served with a court order directing payment to a third party.

(F) In the event of any conflict between this section and any provision of Chapter 521, the conflict shall be resolved in favor of this section; provided that if the tenant is entitled to an offset of rent under Chapter 521, the tenant may deduct the offset from the amount due to the association, up to the limits stated in Chapter 521. Nothing herein precludes the apartment owner or tenant from seeking equitable relief from a court of competent jurisdiction or seeking a judicial determination of the amount owed.

(G) Before the Board of Directors may take the actions permitted under subsection (A), the board must adopt a written policy providing for the actions and have the policy approved by a majority vote of the apartment owners at an annual or special meeting of the association or by the written consent of a majority of the apartment owners.

Section 6. No Waiver. The failure of the Board to insist upon a strict performance of or compliance with any of the covenants of the Owner hereunder or to exercise any right or option herein contained, shall not be construed as waiver of such covenant or option or right. The receipt by the Board of any sum paid by the Owner hereunder, with or without knowledge by the Board of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver, express or implied by the Board of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the President pursuant to authority contained in a resolution of the Board of Directors.

Section 7. Attorneys' Fees, Delinquent Assessments, and Expenses of Enforcement. All costs and expenses, including reasonable attorney's fees incurred by or on behalf of the Association or incurred by any owner, occupant, tenant, employee of an owner, or any other person who may in any manner use the property, shall be awarded to the Association or to an Owner or to any person mentioned herein, subject to and in accordance with the provisions of Section 514A-94 HRS, as it exists, or, as amended, from time to time. Anyone contracted by the association of apartment owners to collect delinquent assessments against any owner's apartment shall not share in any portion of any penalties or late charges collected.

Section 8. Joint and Several Liability of Grantor and Grantee For Unpaid Common Expenses. In a voluntary conveyance the grantee of an apartment is jointly and severally liable with the grantor for all unpaid assessments against the latter for his share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor or the amounts paid by the grantee therefor. However, any such grantor or grantee is entitled to a statement from the manager or

board of directors setting forth the amount of the unpaid assessments against the grantor; and except as to the amount of subsequently dishonored checks mentioned in such statement as having been received within the thirty day period immediately preceding the date of such statement; the grantee is not liable for, nor is the apartment conveyed subject to a lien for, any unpaid assessments against the grantor in excess of the amount therein set forth.

Section 9. Waiver of Use of Common Elements; Abandonment of Apartment; Conveyance To Board of Directors. No apartment owner may exempt himself from liability for his contribution towards the common expenses by waiver of use or enjoyment of any of the common elements or by abandonment of his apartment. Subject to such terms and conditions as may be specified in the bylaws, any apartment owner may, by conveying his apartment and his common interest to the board of directors on behalf of all other apartment owners, exempt himself from common expenses thereafter accruing.

Section 10. Association's Funds; Handling and Disbursement.

(A) The funds in the general operating account of the association of apartment owners shall not be commingled with funds of other activities such as lease rent collections and rental operations; nor shall a managing agent commingle any association funds with the managing agent's own funds.

(B) For purposes of subsection (a), lease rent collections and rental operations shall not include the rental or leasing of common elements that is conducted on behalf of the association or the collection of ground lease rents from individual apartment owners of a project and the payment of such ground lease rents to the ground lessor; provided that:

- (i) The collection is allowed by the provisions of the declaration; bylaws; master deed, master lease, or individual apartment leases of the project;
- (ii) If a management contract exists, it requires the managing agent to collect ground lease rents from the individual apartment owners and pay the ground lease rents to the ground lessor;
- (iii) The system of lease rent collection is approved by a majority vote of all apartment owners at a meeting of the association; and

- (iv) No managing agent or association shall pay ground lease rent to the ground lessor in excess of actual ground lease rent collected from individual apartment owners.

(C) All funds collected by an association, or by a managing agent for any association shall be:

- (i) Deposited in a financial institution including a federal or community credit union, located in the State and whose deposits are insured by an agency of the United States government;
- (ii) Held by a corporation authorized to do business under Article 8 of Chapter 412;
- (iii) Held by the United States Treasury;
- (iv) Purchased in the name of and held for the benefit of the association through a securities broker that is registered with the Securities and Exchange Commission, has an office in the State, and the accounts of which are held by member firms of the New York Exchange National Association of Securities Dealers and insured by the Securities Insurance Protection Corporation.

All funds collected by an association, or by a managing agent for any association, shall be invested only in:

- (a) Demand deposits, investment certificates, and certificates of deposit.
- (b) Obligations of the United States government, the State of Hawaii, or their respective agencies; provided that those obligations shall have stated maturity dates no more than ten years after the purchase date unless approved otherwise by a majority vote of the apartment owners at an annual or special meeting of the association or by written consent of a majority of the apartment owners; or

- (c) Mutual funds comprised solely of investments in the obligations of the United States government, the State of Hawaii, or their respective agencies; provided that those obligations shall have stated maturity dates no more than ten years after the purchase date unless approved otherwise by a majority vote of the apartment owners at an annual or special meeting of the association or by written consent of a majority of the apartment owners; provided that before any investment longer than one year is made by an association, the board must approve the action; and provided further that the board must clearly disclose to owners all investments longer than one year at each year's association annual meeting.

Records of the deposits and disbursements shall be disclosed to the commission upon request. All funds collected by an association shall only be disbursed by employees of the association under the supervision of the association's board of directors. All funds collected by a managing agent from an association shall be held in a client trust fund account and shall be disbursed only by the managing agent or the managing agent's employees under the supervision of the association's board of directors. The commission may draft governing the handling and disbursement of condominium association funds.

(D) A managing agent or board of directors shall not transfer association funds by telephone between accounts, including but not limited to the general operating account and reserve fund account.

(E) A managing agent shall keep and disburse funds collected on behalf of the condominium owners in strict compliance with any agreement made with the condominium owners; Chapter 467 HRS, the rules of the commission; and all other applicable laws.

(F) Any person who embezzles or knowingly misapplies association funds received by a managing agent or association of apartment owners shall be guilty of a class C felony.

Section 11... Common Expenses; Prior Late Charges... No association of apartment owners shall deduct and apply portions of

common expense payments received from an apartment owner to unpaid late fees (other than amounts remitted by an apartment owner in payment of late fees); unless it delivers or mails a written notice to such apartment owner, at least seven days prior to the first such deduction, which states that:

(A) Failure to pay late fees will result in the deduction of late fees from future common expense payments, so long as a delinquency continues to exist.....

(B) Late fees shall be imposed against any future common expense payment which is less than the full amount owed due to the deduction of unpaid late fees from such payments.....

ARTICLE VII

INSURANCE

Section 1. Fire; Liability; Flood.

(A) The association of apartment owners shall purchase and at all times maintain insurance which covers the common elements and, whether or not part of the common elements, all exterior and interior walls, floors, and ceilings, in accordance with the as-built condominium plans and specifications, against loss or damage by fire sufficient to provide for the repair or replacement thereof in the event of such loss or damages. Flood insurance shall also be maintained if the property is located in a special flood hazard area as delineated on flood maps issued by the Federal Emergency Management Agency. The flood insurance policy shall comply with the requirements of the National Flood Insurance Program and the Federal Insurance Administration. Exterior glass may be insured at the option of the association of apartment owners. The insurance coverage shall be written on the property in the name of the association of apartment owners. Premiums shall be common expenses. Provisions for the insurance shall be without prejudice to the right of each apartment owner to insure the owner's own apartment for the owner's benefit.

(B) The association of apartment owners may purchase and maintain directors' and officers' liability insurance with minimum coverage in such amount as shall be determined by the board of directors. Premiums shall be common expenses.

(C) Any insurance policy providing the coverage required by subsections (a) and (b) shall contain a provision requiring the insurance carrier, the inception of the policy and on each anniversary date thereof, to provide the board of directors with a written summary, in layman's terms, of the policy. The summary shall include the type of policy, a description of the coverage and the limits thereof, amount of annual premium, and renewal dates.

The board of directors shall provide this information to each apartment owner.

(D) The association may require any insurance carrier to include in any such policy such provisions as the association deems it necessary for the protection of the association and all apartment owners.

ARTICLE VIII

MORTGAGES

Section 1. Notice to Board of Directors. An Apartment Owner who mortgages his interest in an apartment shall notify the Board of Directors of the name and address of his mortgagee and within ten (10) days after the execution of the same shall file a conformed copy of the note and mortgage with the Board of Directors, who shall maintain such information in a book entitled "Mortgages of Apartments"; and as soon as practicable advise mortgagee that the provision of this Section 1 has been complied with by the Apartment Owner.

Section 2. Notice of Unpaid Common Expenses. The Board of Directors, whenever so requested in writing by a purchaser or mortgagee of an interest in an apartment, shall promptly report any then unpaid assessments for common expenses due from the Owner of the apartment involved.

Section 3. Notice of Default. The Board of Directors, when giving notice to an Apartment Owner of a default in paying common expenses or other default, shall send a copy of such notice to each holder of a mortgage covering such apartment or interest therein whose name and address has heretofore been furnished to the Board of Directors.

Section 4. Examination of Books. Any institutional holder of a first mortgage lien on an apartment in the Project will, upon request in writing therefor, be entitled to: (a) inspect the books and records of the Project during normal business hours; and (b) receive an annual audited financial statement of the Project within ninety (90) days following the end of any fiscal year of the Project; and (c) written notice of all meetings of the Owners Association and be permitted to designate a representative to attend all such meetings.

Section 5. Mortgage Protection. Notwithstanding any provision to the contrary in these By-laws:

(A) Any first mortgagee who obtains title to an apartment pursuant to the remedies provided in the mortgage, or foreclosure of the mortgage or conveyance in lieu of foreclosure

will not be liable for such apartment's unpaid dues or charges which accrue prior to the acquisition of title to such apartment by the mortgagee.

(B) All taxes, assessments and charges which may become Liens prior to the first mortgage under the laws of the State of Hawaii shall relate only to the individual apartment not to the condominium project as a whole.

(C) The Declaration and By-laws shall not give an apartment owner or any other party priority over any rights of the first mortgagees of apartments pursuant to their mortgages in any case of distribution to apartment owners of insurance proceeds or condemnation awards for losses to or a taking of the apartments, common elements or both.

(D) Notwithstanding any other provision of these By-laws, no amendment of this Section 5 shall affect the rights of the holder of any mortgage who has notified the Association of his interest unless such mortgagee consents to the filing of such amendment.

ARTICLE IX

GENERAL PROVISIONS

Section 1. Rules and Regulations: The Owner recognizes the right of the Board from time to time to establish and amend such uniform rules and regulations (herein called "House Rules") as the Board may deem necessary for the management and control of the apartments and the common elements and limited common elements and the Owner agrees that the Owner's rights under this instrument shall be in all respects subject to such Rules which shall be taken to be a part hereof; and the Owner agrees to obey all such Rules as the same now are, or may from time to time be amended; and see that the same are faithfully observed by the invitees, guests, employees and tenants and employees of the Owner; and said Rules shall uniformly apply to and be binding upon all occupants of the apartments. The Rules shall not be inconsistent with any provision of law, the Declaration or the By-laws, and may be amended in the same manner prescribed for the amendment of these By-laws.

Section 2. Abatement and Enjoinment of Violations by Apartment Owners: The Board of Directors shall investigate any alleged violation of the covenants, conditions or restrictions contained in the Declaration, the By-laws and administrative rules and regulations adopted pursuant thereto, and shall make its determination whether or not there is a violation. In the event that the Board determines that a violation exists, it shall notify the Apartment Owner involved, in writing, setting forth the violation and requesting such owner to cease, correct, abate or remedy such

violation within a time fixed by the Board. The Board may assess a monetary penalty for such violation. In the event that such owner fails to comply with the request of the Board, the Board shall have the right, in addition to any other rights set forth in these By-laws:

(A) to enter the apartment in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Apartment Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors, the Managing Agent and employees thereof shall not thereby be deemed guilty in any manner of trespass; or

(B) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of such breach, and all costs thereof, including attorneys' fees, shall be borne by the defaulting Apartment Owner.

Section 3. Additions, Alterations or Improvements by Board of Directors. Any additions, alterations or improvements shall be made in accordance with the provisions of the Declaration, now existing, or as it may be amended from time to time. Upon such approval the cost incurred for the replacement, alteration, etc. of any common element shall constitute part of the common expenses.

Section 4. Right of Access, Emergency. An Apartment Owner shall grant a right of access to his apartment to the Manager and/or Managing Agent and/or any other person authorized by the Board of Directors, the Manager or the Managing Agent, for the purpose of making inspections or for the purpose of correcting any condition originating in his apartment and threatening another apartment or a common element, provided that request for entry is made in advance and that any such entry is at a time reasonably convenient to the Owner.

Notwithstanding the foregoing, the apartment owners shall have the irrevocable right, to be exercised by the board of directors, to have access to each apartment from time to time during reasonable hours as may be necessary for the operation of the property or for making emergency repairs therein necessary to prevent damage to the common elements or to another apartment or apartments.

Section 5. Owners May Incorporate. All of the rights, powers, obligations and duties of the Owners imposed hereunder may be exercised and enforced by a non-profit membership corporation, formed under the laws of the State of Hawaii for the purposes herein set forth by the Owners. Said corporation shall be formed upon the written approval of a majority of the voting Owners. The formation of said corporation shall in no way alter the terms, covenants and conditions set forth herein and the Articles and By-laws.

of said corporation shall be subordinated hereto and controlled hereby. Any action taken by said corporation which said action is in violation of any or all of the terms, covenants or conditions contained herein shall be void and of no effect.

Section 6. Notices. All notices hereunder shall be sent by registered or certified mail to the Board of Directors c/o Managing Agent, or if there be no Managing Agent to the office of the Board of Directors or to such other address as the Board of Directors may hereafter designate from time to time, by notice in writing to all Owners and to all mortgagees of apartments. All notices to any Owner shall be in writing and may be personally delivered to such Owner, or sent by registered or certified mail to the building or to such other address as may have been designated by him from time to time, in writing, to the Board of Directors. All notices to mortgagees of apartments shall be sent by registered or certified mail to their respective addresses, as designated by them from time to time, in writing, to the Board of Directors. All notices shall be deemed to have been given when personally delivered or mailed, except notices of change of address which shall be deemed to have been given when received.

Section 7. Conduct of Meetings. All Association and Board of Directors meetings shall be conducted in accordance with the most current edition of Roberts Rules of Order.

Section 8. Meeting Minutes. Minutes of meetings of the Board of Directors and Association shall include the recorded vote of each board member on all motions except motions voted on in executive session. Minutes of meetings of the Board of Directors and Association of Apartment Owners shall be approved at the next succeeding meeting; provided that for Board of Directors meetings, not later than the second succeeding meeting. Minutes of all meetings shall be available within seven calendar days after approval and unapproved final drafts of the minutes of a meeting shall be available within sixty days after the meeting; provided that the minutes of any executive session may be withheld if their publication would defeat the lawful purpose of the executive session.

Section 9. Owner: No Dual Role. An owner shall not act as an officer of an association and an employee of the managing agent employed by the association.

Section 10. Association's Employees. The association's employees shall not engage in selling or renting apartments in the condominium in which they are employed except association-owned units, unless such activity is approved by an affirmative vote of sixty-five per cent (65%) of the membership.

Section 11. Employees of Condominiums; Background Check.

The board of directors of an association of apartment owners or the manager of a condominium project, upon the written authorization of an applicant for employment as security guard or manager for a position which would allow the employee access to the keys of or entry into the units of the condominium project or access to association funds, may conduct a background check on the applicant or direct another responsible party to conduct a check in compliance with and pursuant to the provisions of Section 514A-82.1 HRS, as it now exists or as it may be amended from time to time.

Section 12. Mediation. If an apartment owner or the board of directors requests mediation of a dispute involving the

interpretation or enforcement of the association of apartment owners' declaration, by-laws, or house rules, or involving matters specifically covered by the Act, the other party in the dispute shall be required to participate in mediation. Each party shall be wholly responsible for its own costs of participating in mediation, unless at the end of the mediation process, both parties agree that one party shall pay all or a specified portion of the mediation costs. A refusal by either party to mediate may be taken in consideration by the Court in awarding expenses, costs, and attorney's fees.

Section 13. Arbitration of Disputes. At the request of

any party, any dispute concerning or involving one or more apartment owners and the association, board of directors, managing agent, or one of more other apartment owners relating to the interpretation, application or enforcement of Chapter 514A or the Association's Declaration, By-laws or House Rules adopted in accordance with its By-laws shall be submitted to arbitration. The arbitration shall be in accordance with and subject to the provisions of Section 514A-121 HRS, as it exists, or as it may be amended from time to time.

Section 14. Condemnation. In the event of a taking in

condemnation or by eminent domain of part or all of the common elements, the Board of Directors shall notify the mortgagee of any apartment affected and whose identity has been previously disclosed by any mortgagor, that a condemnation suit has been filed, within ten (10) days of filing thereof unless such mortgagee is named as a party in such taking. All proceeds of the condemnation award shall be divided among the apartment owners and their mortgagees, as their interests may appear, in accordance with the apartment owners' interest in the common elements, and shall be payable to a bank or trust company designated by the Board doing business in Honolulu, Hawaii, hereinafter called the "Condemnation Trustee". The Board of Directors shall arrange for the repair and restoration of such building and improvements in accordance with the design thereof immediately prior to such condemnation or if such repair and restoration in accordance with said design are not permissible

under the laws then in force, then, in accordance with such modified plans as shall be previously approved by the Board and the mortgagee of record of any interest in an apartment directly affected thereby. In the event of any taking in which any apartment is eliminated or not restored, the condemnation trustee shall disburse the portion of the proceeds of such award allocable to said apartment, less the proportionate share of said apartment in the cost of debris removal, first to the mortgagee to the extent necessary to satisfy the mortgage, and the balance, if any, to the Owner of said apartment in satisfaction of his interest in said apartment, then to the payment of any other costs incurred in connection with the foregoing. In the event such proceeds are insufficient to pay the costs thereof, the Board is expressly authorized to pay such excess costs from the maintenance fund and if the maintenance fund is insufficient for this purpose the Board shall levy a special assessment on the Owners of apartments in proportion to their common interests. In the event sums are received in excess of the costs of repairing and restoring the remaining building and improvements, or in the event all said building and improvements are so taken or condemned, such excess proceeds or said proceeds, as the case may be, shall be divided among the mortgagees to the extent necessary to satisfy the mortgagees, and the balance, if any, to the Owners of apartments in accordance with their interest in the common elements. The special assessment shall constitute a lien as provided in Section 4 of Article VI hereof.

Section 15. Lease Rent Renegotiation

(a) Notwithstanding any provision in the declaration or bylaws of any property subject to chapter 514A, any lease or sublease of the property of an apartment, or an undivided interest in the land to an apartment owner, whenever any leases or sublease of the property, an apartment, or an undivided interest in the land to an apartment owner provides for the periodic renegotiation of lease rent thereunder, the association of apartment owners shall represent the apartment owners in all negotiations and proceedings, including but not limited to appraisal or arbitration, for the determination of lease rent as a common expense of the association.

(b) If some, but not all of the apartment owners have purchased the leased fee interest appurtenant to their apartments, all costs and expenses of the renegotiation shall be assessed to the remaining lessees in the same proportion that the common interest appurtenant to each lessee's apartment bears to the common interest, appurtenant to all lessees' apartments. The unpaid amount of this assessment shall constitute a lien upon the lessee's apartment, which may be collected in accordance with sections 514A-90 and 514A-94 in the same manner as an unpaid common expense.

ARTICLE X

MISCELLANEOUS

Section 1. Amendment. Except as otherwise provided herein or in said Condominium Property Act, the bylaws may be amended at any time by the vote or written consent of sixty-five per cent of all apartment owners; provided that: (a) Each one of the particulars set forth in this sub-section shall be embodied in the bylaws always; and (b) Any proposed bylaws with the rationale for the proposal may be submitted by the board of directors or by a volunteer apartment owners' committee. If submitted by that committee, the proposal shall be accompanied by a petition signed by not less than twenty-five per cent of the apartment owners as shown in the association's record of ownership. The proposed bylaws, rationale, and ballots for voting on any proposed bylaw shall be mailed by the board of directors to the owners at the expense of the association for vote or written consent without change within thirty days of the receipt of the petition by the board of directors. The vote or written consent required to adopt the proposed bylaw shall not be less than sixty-five per cent of all apartment owners; provided that the vote or written consent must be obtained within three hundred sixty-five days after mailing for a proposed bylaw submitted by either the board of directors or a volunteer apartment owners' committee. If the bylaw is duly adopted, then the board shall cause the bylaw amendment to be recorded in the bureau of conveyances or filed in the land court, as the case may be. The volunteer apartment owners' committee shall be precluded from submitting a petition for a proposed bylaw that is substantially similar to that which has been previously mailed to the owners within one year after the original petition was submitted to the board. This paragraph shall not preclude any apartment owner or voluntary apartment owners' committee from proposing any bylaw amendment at any annual association meeting.

Section 2. Subordination. These By-laws are subordinate and subject to all provisions of the Declaration and any amendments thereto. All terms herein (except where clearly repugnant to the context) shall have the same meaning as in the Declaration.

Section 3. Condominium Documents. An accurate copy of the declaration of condominium property regime, the bylaws of the association of apartment owners, the house rules, if any, the master lease, if any, a sample original conveyance document, all public reports and any amendments thereto, shall be kept at the managing agent's office. The managing agent shall provide copies of those documents to owners, prospective purchasers and their prospective agents during normal business hours, upon payment to the managing agent of a reasonable charge to defray any administrative or duplicating costs. In the event that the project is not managed by a managing agent, the foregoing requirements shall be

undertaken by a person or entity, if any, employed by the association of apartment owners, to whom this function is delegated.

Section 4. Documents of the Association of Apartment Owners; Owner's Request For Information:

(A) The association's most current financial statement shall be available to any owner at no cost or on twenty-four hour loan, at a convenient location designated by the Board of Directors. The meeting minutes of the board of directors, once approved, for the current and prior year shall either:

(1) Be available for examination by apartment owners at no cost or on twenty-four-hour loan at a convenient location at the project, to be determined by the board of directors; or

(2) Be transmitted to any apartment owner making a request for the minutes by the board of directors, the managing agent, or the association's representative, within fifteen days of receipt of the request; provided that the minutes shall be transmitted by mail, electronic mail transmission, or facsimile, by the means indicated by the owner, if the owner indicated a preference at the time of the request; and provided further that the owner shall pay a reasonable fee for administrative costs associated with handling the request.

Costs incurred by apartment owners pursuant to this subsection shall be subject to Section 514A-92.5.

(B) Minutes of board meetings shall include the recorded vote of each board member on all motions except motions voted on in executive session.

(C) Financial statements, general ledgers, the accounts receivable ledger, accounts payable ledgers, check ledgers, insurance policies, contracts, and invoices of the Association of Apartment Owners for the duration those records are kept by the Association and delinquencies of ninety days or more shall be available for examination by apartment owners at convenient hours at a place designated by the Board; provided:

- (i) The Board may require to furnish to the association a duly executed and acknowledged affidavit stating that the information is requested in good faith for the protection of the interests of the association or its members or both; and
- (ii) Owners pay for administrative costs in excess of eight hours per year.

Copies of these items shall be provided to any owner upon the owner's request; provided that the owner pays a reasonable fee for duplication, postage, stationery, and other administrative costs associated with handling the request.

(D) Owners shall also be permitted to view proxies, tally sheets, ballots, owners' check-in lists, and the certificate of election for a period of thirty days following any association meeting; provided:

- (i) That the Board may require owners to furnish to the association a duly executed and acknowledged affidavit stating that the information is requested in good faith for the protection of the interest of the association or its members or both; and
- (ii) That owners pay for administrative costs in excess of eight hours per year.

Proxies and ballots may be destroyed following the thirty day period. Copies of tally sheets, owners' check-in lists, and the certificates of election from the most recent association meeting shall be provided to any owner upon the owner's request, provided that the owner pay a reasonable fee for duplicating, postage, stationery, and other administrative costs associated with handling the request.

(E) Owners may file a written request with the Board to examine other documents. The Board shall give written authorization or written refusal with an explanation of the refusal within thirty calendar days of receipt of the request.

(F) No apartment owner who requests legal or other information from the association of apartment owners, the board of directors, the managing agent, or their employees or agents shall be charged for the cost of providing the information unless the association notifies the apartment owner that it intends to charge the owner for the cost. The association shall notify the owner in writing at least ten days prior to assessing the cost of providing the information; except that no prior notice shall be required to assess the cost of providing information on delinquent assessments or in connection with proceedings to enforce the law or the association's governing documents.

Section 5. Availability of Project Documents. An accurate copy of the Declaration of Condominium Property Regime, the By-laws of the Association of Apartment Owners, the House Rules, if

any, the Master Lease, if any, a sample original conveyance document, all public reports and any amendments thereto, shall be kept at the managing agent's office. The managing agent shall provide copies of those documents to owners, prospective purchasers and their prospective agents during normal business hours; upon payment to the managing agent of a reasonable charge to defray any administrative or duplicating costs. In the event that the project is not managed by a managing agent, the foregoing requirements shall be undertaken by a person or entity, if any, employed by the Association of Apartment Owners, to whom this function is delegated.

Section 6. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, modify, enlarge, limit or describe the scope of these By-laws, or the intent of any provision thereof.

Section 7. Gender. The use of any gender in these By-laws shall be deemed to include either or both of the other genders and the use of the singular shall be deemed to include the plural whenever the context so requires.

Section 8. Interpretation. In case any provision of these By-laws shall be held invalid, such invalidity shall not render invalid any other provision hereof which can be given effect. Nothing in these By-laws shall be deemed or construed to authorize the Association or Board of Directors to conduct or engage in any active business for profit on behalf of any or all of the apartment owners.

ARTICLE XI

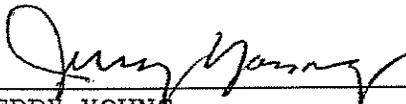
SPECIAL PROVISIONS

Section 1. Applicability of Condominium Property Act. These By-Laws are subject to the provisions of Chapter 514A HRS, 2 the Condominium Property Act ("ACT") and the Hawaii Administrative Rules, Title 16, Chapter 107 HRS ("HAR") as they exist or as they may be amended from time to time, and in the event of any inconsistency or conflict between the provisions of these By-Laws and the provisions of said ACT or HAR, the applicable provisions of the ACT or HAR shall control; and, any provision of these By-Laws shall be deemed superseded, amended, supplemented or revoked by any provision of said ACT or HAR applicable thereto.

CERTIFICATE OF ADOPTION

The undersigned Developer of the project hereby adopts the foregoing as the By-laws of the Association of Apartment Owners of the aforesaid Condominium Project this 5th day of July, 2006.

SLV, LLC, a Registered Hawaii
Limited Liability Company

By 
JERRY YOUNG
Its Member

By 
LARSEN M. LUKE
Its Member

"DEVELOPER"

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 5th day of July, 2006, before me appeared JERRY YOUNG, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Registered Hawaii Limited Liability Company, and that the instrument was signed in behalf of the Company and said member acknowledged the instrument to be the free act and deed of the Company.


Notary Public, State of Hawaii L.S.

Print/Type Name: Vernon T. Tashima
My commission expires: 9/16/2009

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 4th day of July, 2006, before me appeared LARSEN M. LUKE, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Registered Hawaii Limited Liability Company, and that the instrument was signed in behalf of the Company and said member acknowledged the instrument to be the free act and deed of the Company.

Theresa S Luke
Notary Public, State of Hawaii
Print/Type Name: Theresa S. Luke
My commission expires: 12/28/2009

EXHIBIT “P”

**FIRST AMENDMENT OF BY-LAWS OF THE
ASSOCIATION OF APARTMENT OWNERS OF
“LANI HALE”**

EXHIBIT “P”

OFFICE OF THE
ASSISTANT REGISTRAR, LAND COURT
STATE OF HAWAII
(Bureau of Conveyances)

The original of this document was
recorded as follows:

DOCUMENT NO.

DATE _____ Doc 3472789
CTN 812,540
AUG 25, 2006 10:00 AM

LAND COURT SYSTEM

REGULAR SYSTEM

Return By: Mail () Pickup (✓) To:

VERNON T. TASHIMA
Attorney-at-Law

PH: 521-2951

Total Pages: 5

TAX MAP KEY: (1) 1-1-018:012
Condominium Map No. 1838
Reference: TCT No. 812,540

FIRST AMENDMENT OF BY-LAWS OF THE ASSOCIATION OF
APARTMENT OWNERS OF "LANI HALE"

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, by a Declaration Submitting Property to the Condominium Property Regime, hereinafter called the "Declaration", dated July 5, 2006, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3450353, and noted on Transfer Certificate of Title No. 812,540, SLV, LLC, a Registered Hawaii Limited Liability Company, hereinafter called the "Developer", submitted the land and improvements therein described to the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, and

WHEREAS, simultaneously therewith the By-Laws of The Association of Apartment Owners of "LANI HALE", hereinafter called "By-Laws", dated July 5, 2006, adopted by said Developer, were filed, as aforesaid, as Document No. 3450354, and

WHEREAS, said Developer desires to amend said By-Laws, as hereinafter provided, to conform to the provisions of Chapter 514B, Hawaii Revised Statutes, and

NOW, THEREFORE, said By-Laws are hereby amended as follows:

1. By amending the first and second preambles by changing the statutory reference of "514A" to "514B".

2. By amending Section 1 entitled Qualifications of Article I, entitled ASSOCIATION OF OWNERS to read as follows:

"Section 1. Qualifications; Powers. All owners of units (herein sometimes called "Apartments") of the Project shall constitute the Association of Apartment Owners (herein called the "Association"). The owner of any unit upon acquiring title thereto shall automatically become a member of the Association and shall remain a member thereof until such time as his ownership of such unit ceases for any reason, at which time his membership in the Association shall automatically cease; PROVIDED, HOWEVER, that to such extent and for such purposes, including voting, as shall be provided by lease of any unit registered under Chapter 501 or recorded under Chapter 502, the lessee of such unit shall be deemed to be the owner thereof.

The Association shall have powers as provided in Section 514B-104, subject to limitations as provided in Section 514B-105."

3. By amending Article II, entitled BOARD OF DIRECTORS, as follows:

a) By amending Section 1 thereof, entitled Number and Qualifications, to read as follows:

"Section 1. Number and Qualifications. The affairs of the Association shall be governed by a Board of Directors (herein the "board") which shall be composed of not less than five (5) persons; provided, however, that condominiums with more than one hundred residential units shall have an elected board of at least nine members unless the membership has amended the by-laws to reduce the number of directors, all as provided in the Act.

Members of the board shall be unit owners or co-owners, vendees under an agreement of sale, a trustee of a trust which owns a unit, or an officer, partner, member, or other person authorized to act on behalf of any other legal entity which owns a unit. There shall not be more than one representative on the board from any one unit.

All board members shall be subject to limitations as provided in Section 514B-107."

b) By amending Section 2 thereof, entitled, Powers, to read as follows:

"Section 2. Powers; Limitations; Delegation of Powers. The Board shall have all powers necessary for the administration of the affairs of the Association, except such powers that are, by the Act, to be exercised by the Association, or by others; and except as otherwise provided in the Declaration, these By-Laws, or other provisions of the Act, the board may act in all instances on behalf of the Association. All authorized powers of the board may be delegated to a managing agent. Any power hereinafter set forth that are, by the Act, or by the Declaration, to be exercised by the Association, or others, shall not be deemed a power of the board."

4. By amending Section 1, entitled Designation of Article III, entitled "OFFICERS" to read as follows:

"Section 1. Designation; Qualification; Vacancies. The principal officers of the Association shall be a President, a Vice-President, a Secretary, and a Treasurer, all of whom shall be elected by, and, in the case of President, from the Board of Directors. The Board may appoint an Assistant Treasurer, and Assistant Secretary and such other officers as in its judgment may be necessary, and shall fill any vacancy in any office, forthwith.

Any person who qualifies as a board member may be elected as an officer of the association."

5. By amending Article III entitled OFFICERS, as follows:

(a) By adding a new section, to be numbered "8" to read as follows:

"Section 8. Delegation of Powers. No officer may delegate any power of its office to anyone, except as may be authorized by the board."

(b) By adding a new section to be numbered "9", to read as follows:

"Amendments To Declaration; Preparation; Execution, Etc. Any two (2) officers may prepare, execute, certify, and record amendments to the Declaration on behalf of the Association."

6. By amending Section 10 entitled Association's Employees, of Article IX by changing the words and figures "sixty-five per cent (65%) appearing on the fifth and last line thereof to read "sixty-seven per cent (67%)."

7. By amending Section 1, entitled Amendment, of Article X, by changing the words "sixty-five per cent" appearing on lines 3 and 17 thereof, to read, "sixty-seven per cent."

8. By amending Article XI, entitled SPECIAL PROVISIONS, as follows:

a) By amending Section 1 thereof, entitled Applicability of Condominium Property Act by changing the reference to "Chapter 514A HRS 2" appearing at the end of line 2 thereof, to read "514B HRS."

b) By adding a new Section, to be numbered "2", to read as follows:

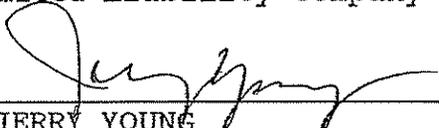
"Section 2. Conflict of Statutes." Any reference herein to Chapter 514A or any provision thereof, shall be deemed to refer to the Condominium Property Act, (the "Act"); and in the event of any conflict or inconsistency between the provisions of Chapter 514A, cited or referred to herein, and those of Chapter 514B, the provisions of the latter shall control."

9. Except as amended herein, all other terms, provisions and conditions of said By-Laws of said Association shall remain in full force and effect.

CERTIFICATE OF ADOPTION

The undersigned Developer of the project hereby adopts the foregoing amendment of the By-Laws of the Association of Apartment Owners of the aforesaid Condominium Project this 24th day of AUGUST, 2006.

SLV, LLC, a Registered Hawaii
Limited Liability Company

By 
JERRY YOUNG
Its Member

By 
LARSEN M. LUKE
Its Member

"DEVELOPER"

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 24th day of August, 2006, before me appeared JERRY YOUNG, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Hawaii Limited Liability Company, and that the instrument was signed in behalf of the company and said member acknowledged the instrument to be the free act and deed of the Company.

Vernon Tashima
Notary Public, State of Hawaii L.S.
Print/Type Name: VERNON T. TASHIMA
My commission expires: 9/26/2009

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 24th day of August, 2006, before me appeared LARSEN M. LUKE, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Hawaii Limited Liability Company, and that the instrument was signed in behalf of the company and said member acknowledged the instrument to be the free act and deed of the Company.

Vernon Tashima
Notary Public, State of Hawaii L.S.
Print/Type Name: VERNON T. TASHIMA
My commission expires: 9/26/2009

EXHIBIT “Q”

CONDOMINIUM MAP

“LANIHALE”

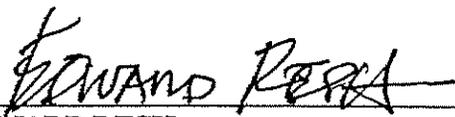
EXHIBIT “Q”

CERTIFICATION OF LICENSED PROFESSIONAL ARCHITECT

EDWARD RESH, a Licensed Professional Architect, License No. 3239, in the State of Hawaii, certifies as follows:

That, the Condominium Map, consisting of Sheet Nos. A1 to A5, inclusive, to which this statement is attached, is consistent with the plans of the condominium buildings, for the condominium project known as "LANI HALE", located at 3632 Salt Lake Boulevard, Honolulu, Hawaii 96818, and filed, or to be filed, with the government official having jurisdiction over the issuance of permits for the construction of buildings, as to Apartments 1 & 2 of Building A; 9 & 10 of Building C; and 14 of Building D; and approved by said officer as to Building B, and Apartments 3 & 4 of Building A; 11 & 12 of Building C; and 15 & 16 of Building D, as built, in the City and County of Honolulu, State of Hawaii; and, to the best of my knowledge the condominium map depicts the layout, location, dimensions and numbers of the units substantially as built.

DATED: HONOLULU, HAWAII, AUGUST 5, 2006



EDWARD RESH
Licensed Professional Architect

FLOOR AREA TABULATION

Building	Apartment #	SF
BUILDING "A" (4-PLEX)	APT. #1	600.00 SF
	APT. #2	600.00 SF
	APT. #3	600.00 SF
	APT. #4	600.00 SF
BUILDING "B" (4-PLEX)	APT. #5	600.00 SF
	APT. #6	600.00 SF
	APT. #7	600.00 SF
	APT. #8	600.00 SF
BUILDING "C" (4-PLEX)	APT. #9	600.00 SF
	APT. #10	600.00 SF
	APT. #11	600.00 SF
BUILDING "D" (3-PLEX)	APT. #12	600.00 SF
	APT. #13	600.00 SF
	APT. #14	600.00 SF
WALKWAY & STAIRS		740.00 SF

PROJECT DATA:

TAX MAP KEY: 1 - 1 - 018 : 012

LOT AREA: 16,000 SF

BUILDABLE AREA: 7,500.00 SF (60%)

F.A.R.: 0.0007 x 15,000 + 0.50 = 0.66

ALLOWABLE FLOOR AREA: 9,750.00 SF

TOTAL BUILDING AREA: 9,740.00 SF

TOTAL LIVING AREA: 9,000.00 SF

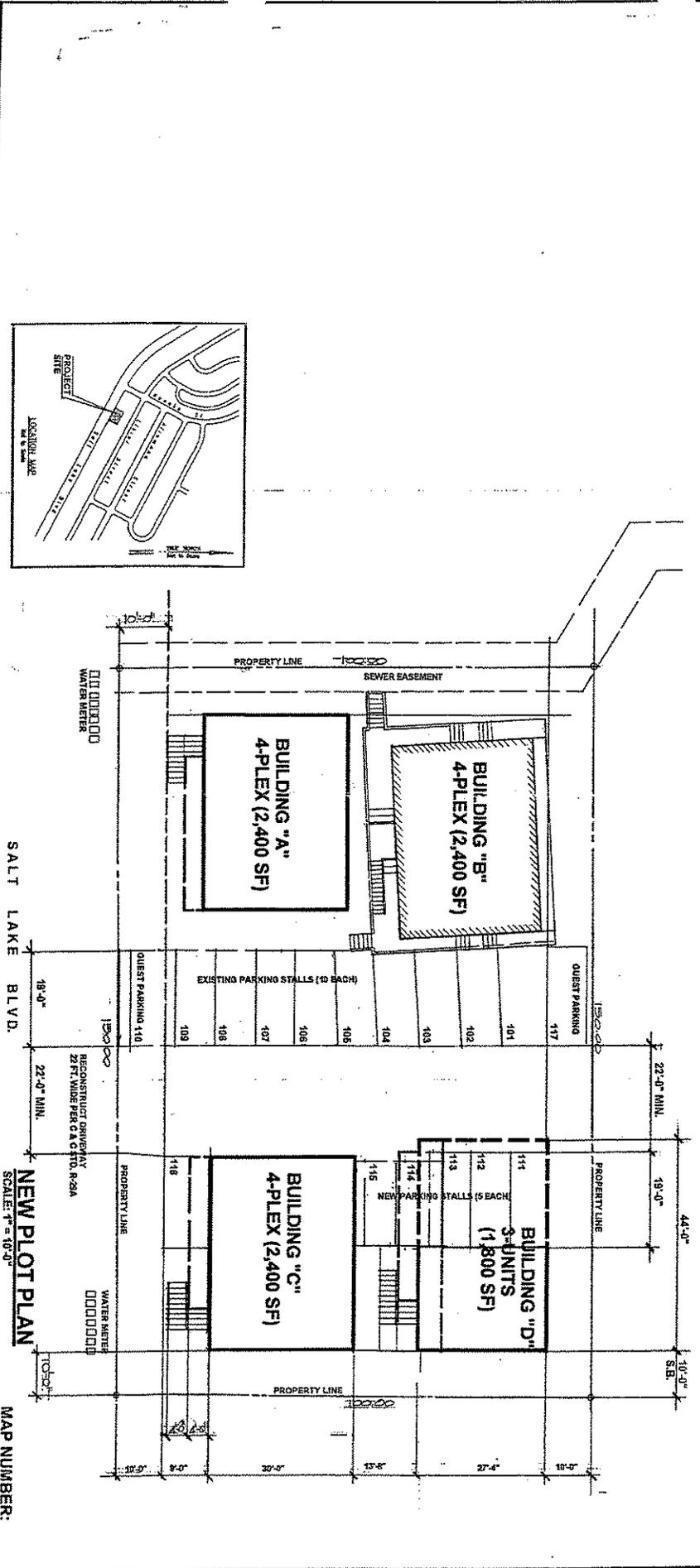
PARKING REQUIREMENT:

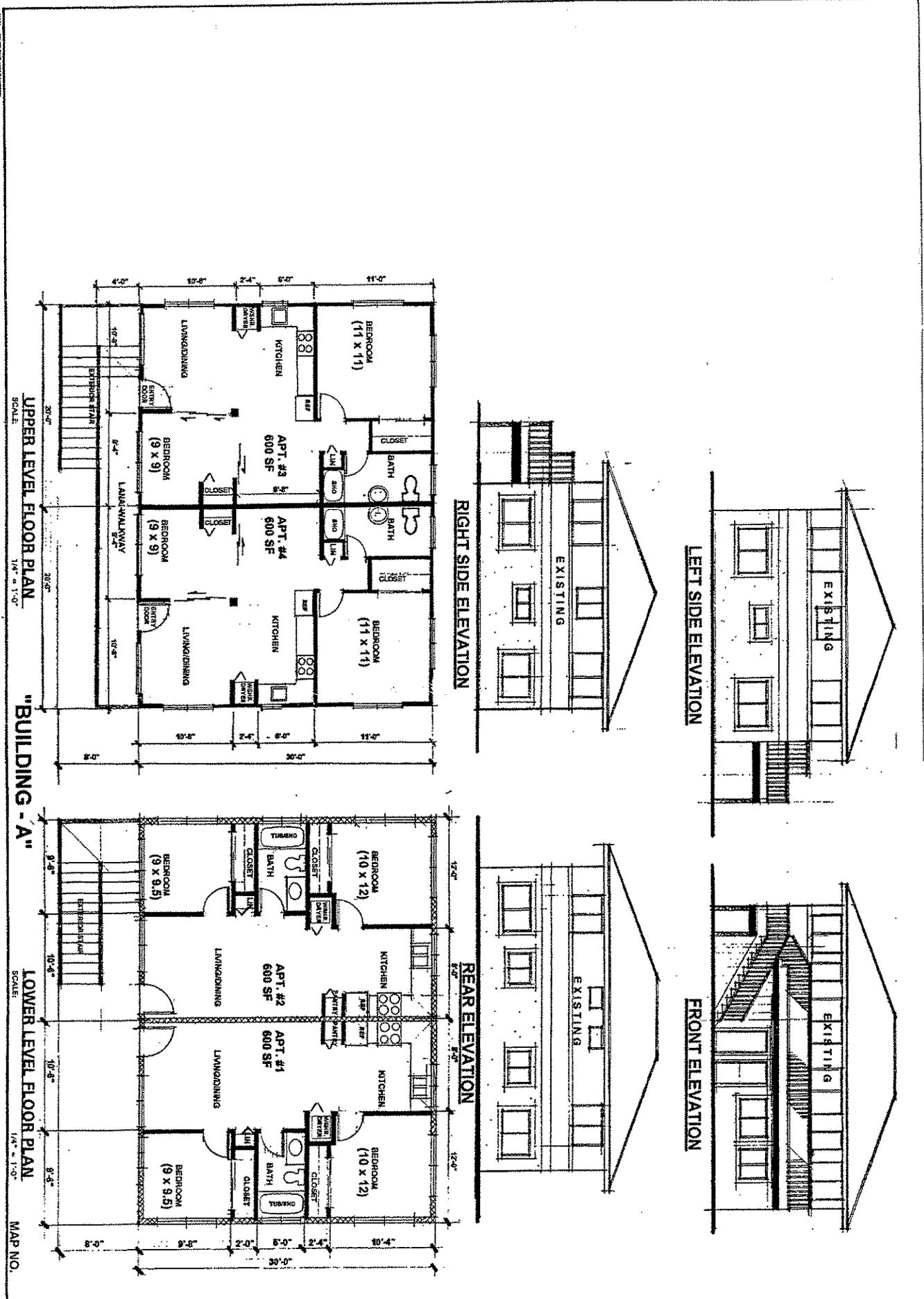
NUMBER OF PARKING REQUIRED: 600 SF PER UNIT = 1 STALL REQUIRED / UNIT

TOTAL NUMBER OF UNITS: 15 UNITS

NUMBER OF PARKING PROVIDED: 17

NUMBER OF PARKING REQUIRED: 15





UPPER LEVEL FLOOR PLAN
SCALE: 1/4" = 1'-0"

"BUILDING - A"

LOWER LEVEL FLOOR PLAN
SCALE: 1/4" = 1'-0"

MAP NO.

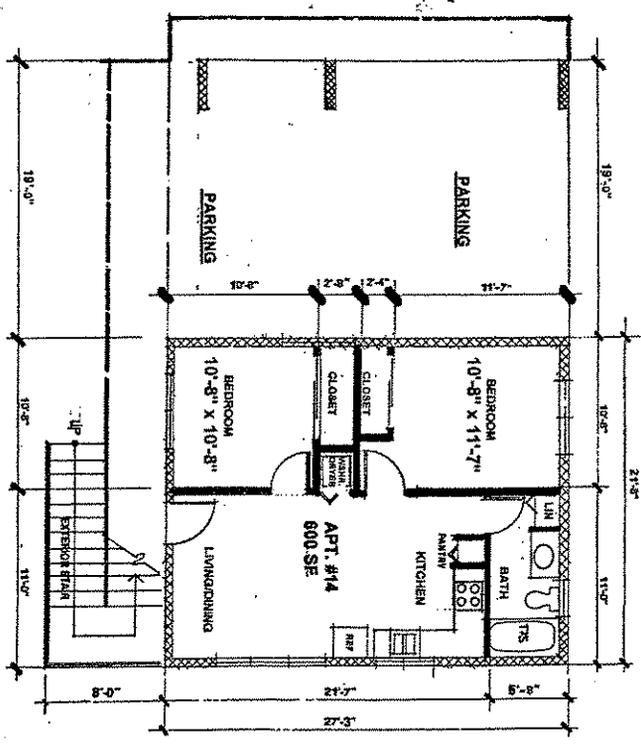
A-2

PROJECT NAME: LANI HALE
 TYPE OF REPORT: FINAL
 REGISTRATION NO.: 5792
 TMK: 1-1-018:012

"BUILDING - A"

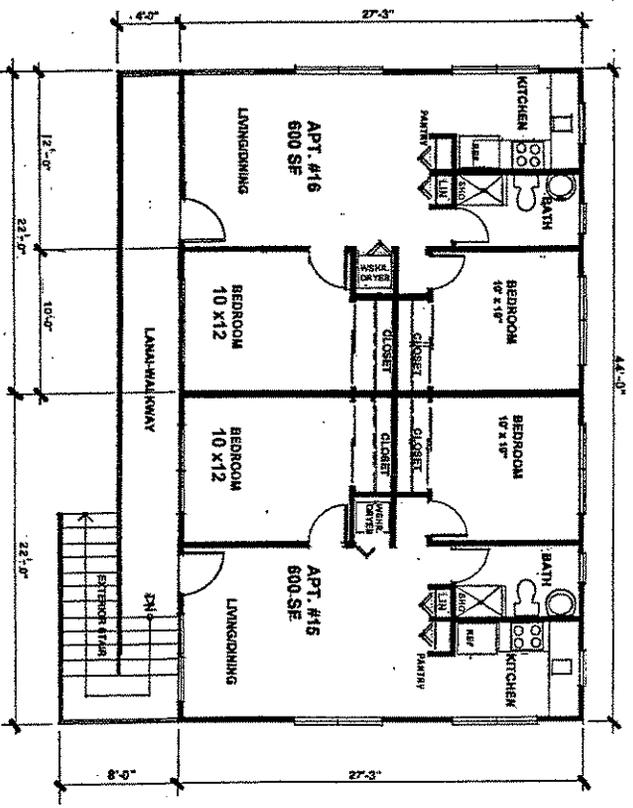
DATE	REVISION

LOWER LEVEL FLOOR PLAN
SCALE: 1/4" = 1'-0"

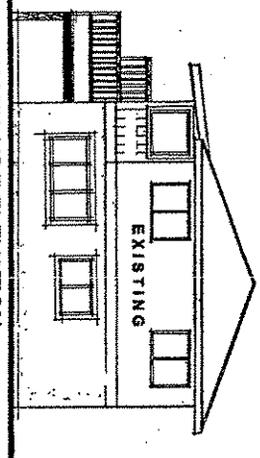


"BUILDING - D"

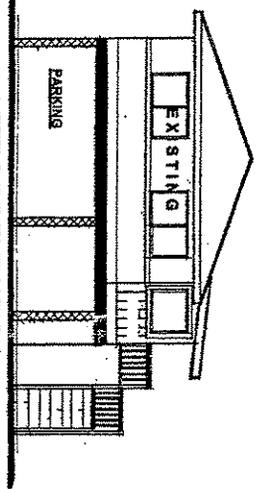
UPPER LEVEL FLOOR PLAN
SCALE: 1/4" = 1'-0"



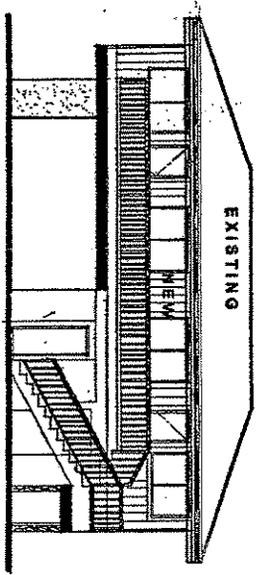
RIGHT SIDE ELEVATION



LEFT SIDE ELEVATION



FRONT ELEVATION



Sheet No.	A-4
Scale	1/4" = 1'-0"
Project Name	LANI HALE
Type of Report	FINAL
Registration No.	5792
TMK	1-1-018:012

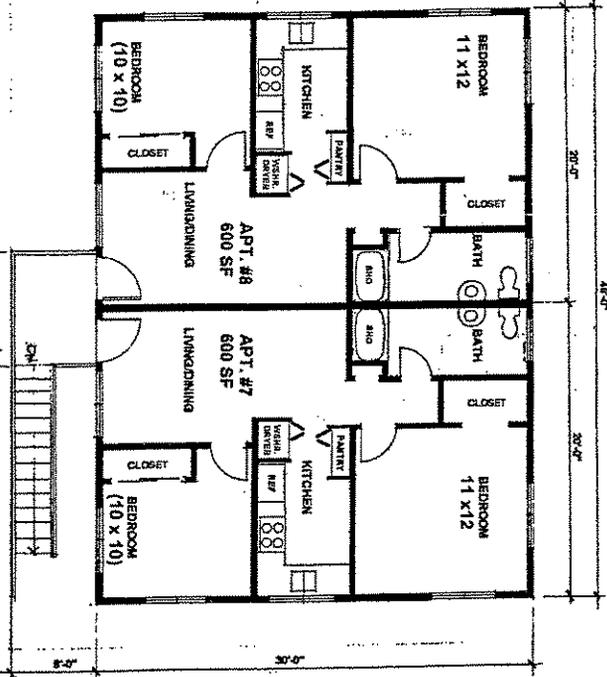
PROJECT NAME: LANI HALE
 TYPE OF REPORT: FINAL
 REGISTRATION NO.: 5792
 TMK: 1-1-018:012

"BUILDING - D"

REVISIONS	
NO.	
DATE	
DESCRIPTION	

UPPER LEVEL FLOOR PLAN

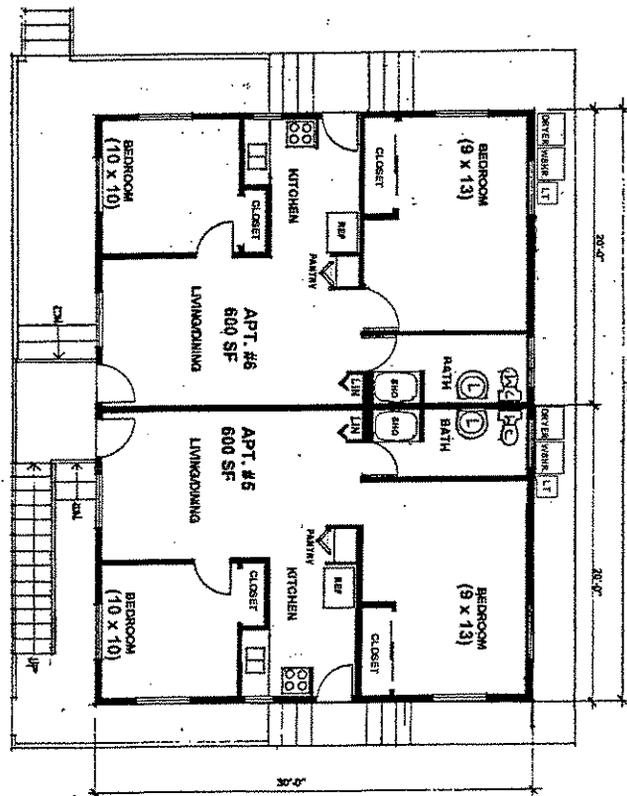
SCALE: 1/4" = 1'-0"



"BUILDING - B"

LOWER LEVEL FLOOR PLAN

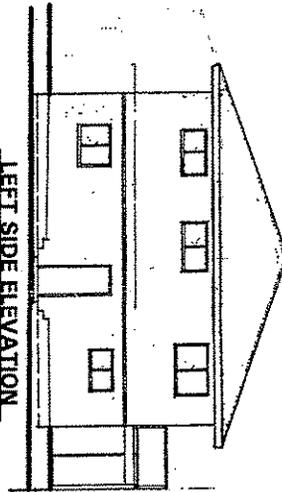
SCALE: 1/4" = 1'-0"



MAP NO.

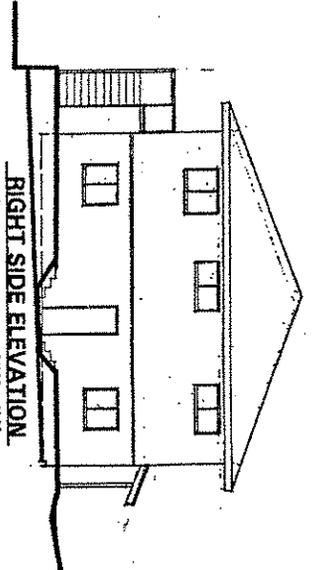
LEFT SIDE ELEVATION

SCALE: 3/16" = 1'-0"



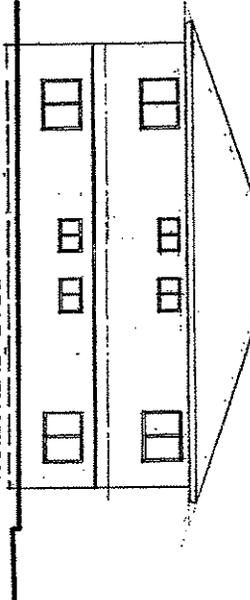
RIGHT SIDE ELEVATION

SCALE: 3/16" = 1'-0"



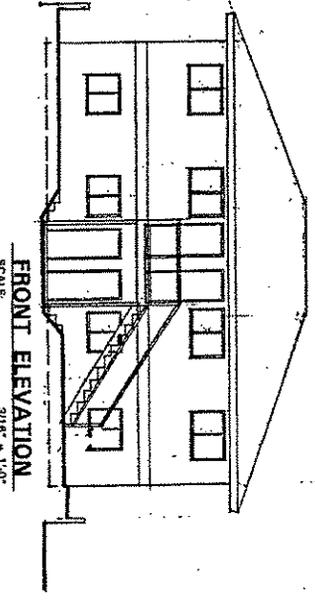
REAR ELEVATION

SCALE: 3/16" = 1'-0"



FRONT ELEVATION

SCALE: 3/16" = 1'-0"



"BUILDING - B"

PROJECT NO.	5792
DATE	10/1/02
SCALE	1/4" = 1'-0"
MAP NO.	
PROJECT NAME	LANI HALE
TYPE OF REPORT	FINAL
REGISTRATION NO.	5792
TMK	1-1-018-012
DATE	10/1/02
BY	A-5
CHECKED	
APPROVED	

PROJECT NAME: LANI HALE
 TYPE OF REPORT: FINAL
 REGISTRATION NO.: 5792
 TMK: 1-1-018-012

REVISIONS	BY

EXHIBIT “R”

HOUSE RULES

“LANI HALE”

EXHIBIT “R”

HOUSE RULES FOR
"LANI HALE"
A CONDOMINIUM PROJECT

These House Rules are established to assure all apartment owners (hereafter the "owners") and occupants of "LANI HALE" CONDOMINIUM PROJECT (hereafter the "Project") that they will enjoy harmonious living and be protected from any act constituting a nuisance or annoyance. Read these House Rules carefully because their observance will be enforced.

Owners who rent their apartments are responsible for giving their tenants a copy of these Rules. Owners are also responsible for the conduct and behavior of their family, tenants, other occupants of their apartments, guests, employees, servants, invitees and licensees. As used herein, "owner" means the apartment owner and "occupant" means the person actually residing in or using the apartment, whether the owner or a person or persons other than the owner.

1.0. BUILDING MAINTENANCE AND REPAIR.

1.1. Nameplates. All nameplates and names shall be placed only in the place and in the manner and form approved by the Board of Directors (hereafter "Board").

1.2. Decoration of Common Elements. All of the common elements, including but not limited to the exterior surfaces of the building(s), including the exterior surfaces of doors to each apartment, walkways, driveways, stairways and grounds, shall be decorated only as permitted by the Board.

1.3. Alterations. Occupants shall not make any alterations, installations, including radio and TV antennas or aerials, repairs or changes of any nature whatsoever to the exterior surfaces of the building(s), including entry doors, windows and lanais, except as provided in the Declaration and its By-Laws.

1.4. Repair of Common Elements. The Board shall be responsible for the repair and maintenance of the common elements. Requests for exterior repairs and maintenance shall be submitted as set forth in Paragraph 7.1 herein and the Board shall determine whether the requested repairs and/or maintenance constitute a responsibility of the Association.

1.5. Apartment Interiors. Repair and maintenance of apartment interiors are the responsibility of each occupant, including the cleaning and maintenance of windows and glass doors in each apartment. It is the further responsibility of all occupants to maintain their apartments and the equipment and fixtures

therein located in such manner as not to cause damage to other apartments in the Project or to its common elements or to the rights and enjoyment to which all occupants are entitled. Every occupant shall at all times keep his apartment in a strictly clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association for the time being applicable to the use of the Project. No occupant shall do any work which would jeopardize the soundness or safety of the Project or the Property, reduce the value thereof or impair any easement, nor may any occupant add material structure without, in every case, the unanimous consent of all other apartment owners, provided, that additions to or alterations of an apartment made within the interior of such apartment or within a limited common element appurtenant to any for the exclusive use of the apartment shall only require approval of the Board and a majority of the apartment owners. Finally, each owner and each occupant is subject, at all times, to the Declaration and By-Laws and the restrictions found therein.

1.6. Damages. When exterior surface, landscaping and other common elements or common areas or another apartment are damaged deliberately or as a result of the negligence of any occupant, then such occupant and/or the owner shall be responsible for the prompt payment of all costs of repair or replacement.

2.0. CARS AND PARKING STALLS.

2.1. Washing and Repairing of Cars. Unless permitted in writing by the Board, no cars shall be washed or repaired at any time or at any place in the Project, including parking spaces appurtenant to each apartment.

2.2. Parking Spaces. Each occupant shall park his car only in his parking space, if assigned, and shall abide by all parking rules and regulations and directives of the Board. Violators are subject to having their cars towed away at the vehicle owner's expense.

2.3. Other Parking. No guest parking is available in the Project. Each occupant shall be responsible for directing his guests or invitees to park either in such occupant's parking space(s), if assigned, or in appropriate areas of the public streets.

3.0. COMMON AREAS.

3.1. Litter. No rubbish, trash or litter shall be thrown in and around the grounds or any common area except in receptacles provided for that purpose.

3.2. Flowers/Shrubbery. There shall be no tearing, breaking, cutting and picking of any plants and flowers that may be on the grounds or in any common area.

3.3. Clearing of Common Areas. At no time may any item of any kind be placed on the grounds, driveways, walkways, or exterior stairways.

3.4. Bicycles, Skateboards and Other Toys. Bicycles, tricycles, skateboards and toys which may be ridden or driven may not be operated in the driveway, and walkway or the grassy areas. Furniture and toys, including bicycles and tricycles, shall not be placed, kept or stored except within the apartments. Failure to observe this rule will result in personal liability for any resulting damage or injury.

3.5. Loitering. No person shall be permitted by any occupant to loiter or play on any exterior stairway, or the driveway or walkway. All occupants shall be directly responsible for observing this rule with respect to their families, guests, invitees and licensees.

4.0. GARBAGE AND TRASH.

4.1. Dry. Trash containing dry garbage, cans, bottles and other similar materials shall be securely wrapped before being placed in a receptacle provided for that purpose in the refuse area.

4.2. Wet. All wet garbage or trash shall be drained, securely wrapped to avoid leakage and exposure and placed in receptacle provided for garbage.

5.0. RAILINGS AND WINDOWS.

5.1. Hanging, Dusting and Sweeping. No item, such as rugs, carpets, tablecloths or clothing, shall be hung from, placed upon, beaten or shook from the windows or windowsills or in any exterior stairway; dust, rubbish or litter shall not be swept into any part of the common areas or on or upon another apartment. Clothes shall not be hung on or from any railing for any purpose whatsoever nor shall clothing or laundry, including towels and bathing suits be hung, displayed or placed in doorways or windows in such a manner as to detract from the appearance of the building and common areas, e.g. when such items can be seen by persons outside the building.

6.0. NOISE.

6.1. In General. No occupant shall make or permit any disturbing noises in his apartment or in any building, nor do or

permit anything to be done that will interfere with the rights, comfort and convenience of other occupants.

6.2. Volume. Volumes of radios, T.V.s, Hi-Fi or stereo sets, telephone and other communication bells or rings, and musical instruments or devices shall be turned down to avoid disturbing or bothering neighbors. At any time, the volume of all of the foregoing shall be turned down so that any of the foregoing being played or operated shall not disturb the occupants of other apartments in the Project.

7.0. NOTICES.

7.1. In General. All complaints and requests shall be made only to the Managing Agent, or, if there is no Managing Agent, by mail to the Secretary of the Board of Directors.

7.2. Damage. Occupants shall also give immediate notice to said Managing Agent or Secretary, whichever is applicable, of any damage or injury to the common elements such as the structural components of the building and the landscaping.

8.0. OCCUPANCY.

8.1. Number of Occupants. Unless otherwise approved in writing by the Board, no more than six (6) persons shall be allowed to occupy any apartment in the Project.

8.2. Renting. Any owner renting, leasing or lending his apartment must introduce all of his tenant(s) to the Managing Agent, if any, prior to the occupancy. If there is no Managing Agent, the owner shall notify the Board in writing of the names of all tenant(s) and their ages and the fact that the owner has given these (tenant(s)) a copy of these House Rules.

8.3. Guests. In addition the number of occupants specified in Paragraph 8.1., no more than two (2) guests may be permitted in each apartment for a period not to exceed three (3) days at any time.

8.4. Conduct of Occupants. The owner is responsible at all times for the reasonable conduct of all persons occupying his apartment. The owner shall be responsible also for the conduct and behavior of all persons visiting his apartment and when requested by the Managing Agent or, if no Managing Agent, by any two officers of the Board, to take action respecting the conduct of himself, his guests, other occupants or invitees or licensees, the owner shall promptly comply. Upon failure to comply when the conduct and behavior of the person or persons constitutes an unreasonable disturbance and nuisance to others, the Managing Agent or officers may use such reasonable means necessary to obtain compliance.

9.0. PASSKEY.

9.1. Right to Passkey. The Managing Agent, or if there is no Managing Agent, the Board, may retain a passkey to each apartment for the purpose of entry during emergencies.

9.2. Replacement Key. No occupant shall alter any lock or install a new lock on any door leading into the apartment or any of its rooms without the prior consent of the Managing Agent or Board. If such consent is given, the occupant shall immediately provide the Managing Agent or Board with a key for the use described in Paragraph 9.1.

10.0. PETS.

10.1. Generally. No livestock, poultry, rabbits, dogs, cats or other animals whatsoever, including those defined as "pests" under the law shall be allowed or kept within an apartment or upon any part of the Project, except as provided herein.

10.2. Permitted Pets. Occupants of the Project are permitted to keep the following provided the conditions noted hereunder are strictly observed.

10.2.1. Pets. Provided the Board has given its written consent, only fish or birds contained in a tank or cage may be kept by an occupant.

10.2.2. No Commercial Breeding. No occupant having an approved pet shall keep, breed or use it for any commercial purpose.

10.3. Removal. Any pet permitted by the Board which causes a nuisance or unreasonable disturbance to any other occupant or any other apartment in the Project shall be permanently and promptly removed upon notice given by the Board within five (5) days of receipt of such notice.

11.0. SAFETY.

11.1. Hazardous and Other Items. No machinery, refrigerating or heating devices or air conditioning apparatus nor any illumination other than electric lights shall be installed by any occupant or owner of any residential apartment; nor shall inflammable fluids, such as gasoline, kerosene, naphtha or other explosives or materials defined as "Hazardous materials" under any Environmental Law be brought onto the Project or into any apartment without the prior written consent of the Board in each and every case.

12.0. SCOPE OF HOUSE RULES.

12.1. Amendment. These House Rules may be amended by the Board as provided for in the By-Laws of the Association and the Condominium Property Act.

12.2. Application. These House Rules shall apply to all owners, occupants, tenants, guests, invitees and licensees of any owner or occupant.

12.3. Interpretation. The interpretation and enforcement of the House Rules shall be determined at the time of the occurrence by the Managing Agent or, if no Managing Agent, by an officer of the Board. Decisions of the Managing Agent or Officer shall be respected at the time of such decision, although the owner or occupant may appeal, in the case of a conflicting opinion, in writing to the Board.

12.4. Enforcement. The full authority and responsibility for enforcement of these House Rules may be delegated to the Managing Agent by the Board, provided that neither the Board nor the Managing Agent shall be responsible for any noncompliance or violation of these House Rules by any owner, occupant, tenant, guest, invitee or licensee. In the event an owner or occupant fails to comply with these House Rules and it becomes necessary to initiate appropriate legal proceedings to obtain compliance and observance of these House Rules, the Board shall be entitled to collect from the owner and/or occupant, who shall have joint and several liability if more than one owner and/or occupant is involved, all costs of court and reasonable attorney's fee for the successful prosecution of such action.

13.0. MISCELLANEOUS.

13.1. Trips. All occupants shall immediately notify the Board or Managing Agent of their respective forwarding addresses prior to leaving on any trip which will exceed three (3) days and shall also provide information regarding the use of their apartments while away on any such extended trip.

13.2. "Garage" Sales. No "garage" sales of any nature, whether inside or outside an apartment, are permitted anywhere in the Project.

13.3. Alcoholic Beverage and Food. No alcoholic beverages and/or food shall be dispensed for sale anywhere within the Project. No alcoholic beverages shall be consumed in any common area of the Project.

13.4. Drugs: Controlled Substances. No owner or occupant of any apartment shall use, sell, distribute, furnish, possess or

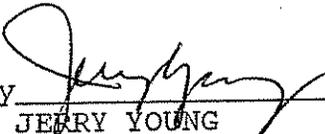
transfer any substance defined as a controlled substance under the Uniform Controlled Substance Act, or any substance prohibited by any law, on any part of the Project; provided, however, that this paragraph shall not apply to any substance prescribed by a licensed physician of this State for medicinal purposes.

13.5. Barbecuing. Unless approved by the Board in writing and subject to any conditions imposed thereon, no charcoal barbecuing shall be allowed, except at the designated recreation area.

13.6. Headnotes. The headnotes appearing before each paragraph are for convenience only, and are not intended to modify, limit, enlarge or define the context of any paragraph.

The foregoing House Rules are adopted as the initial House Rules for "LANI HALE" CONDOMINIUM PROJECT this 31st day of July, 2006.

SLV, LLC
a Registered Hawaii Limited Liability
Company

By  _____
JERRY YOUNG
Member

By  _____
LARSEN M. LUKE
Member

EXHIBIT “S”

**SECOND AMENDMENT OF DECLARATION
SUBMITTING PROPERTY TO THE
CONDOMINIUM PROPERTY REGIME**

“LANI HALE”

EXHIBIT “S”

OFFICE OF THE
ASSISTANT REGISTRAR, LAND COURT
STATE OF HAWAII
(Bureau of Conveyances)

The original of this document was
recorded as follows:

Doc 3500246 _____
CTN 812,540 _____
OCT 18, 2006 09:00 AM

LAND COURT SYSTEM

REGULAR SYSTEM

Return By: Mail () Pickup () To:

VERNON T. TASHIMA
Attorney-at-Law

PH: 521-2951

Total Pages: 3

TAX MAP KEY: (1) 1-1-018:012
Reference: TCT No. 812,540

SECOND AMENDMENT OF DECLARATION SUBMITTING
PROPERTY TO THE CONDOMINIUM PROPERTY REGIME

"LANI HALE"

Condominium Map No. 1838

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, by a Declaration Submitting Property to the Condominium Property Regime, hereinafter called the "Declaration", dated July 5, 2006, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3450353, and noted on Transfer Certificate of Title No. 812,540, SLV, LLC, a Registered Hawaii Limited Liability Company, hereinafter called the "Developer", submitted the land and improvements therein described to the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, and

WHEREAS, said Declaration was amended by a First Amendment of Declaration Submitting Property to the Condominium Property Regime dated August 24, 2006, and

WHEREAS, said Developer desires to further amend the Declaration as hereinafter provided.

NOW, THEREFORE, said Developer declares as follows:

A. That said Declaration is hereby amended:

By amending paragraph 7 entitled Percentage of Undivided Interest. to read as follows:

"7. Percentage of Undivided Interest.
Each unit shall have appurtenant thereto an undivided percentage interest in all common elements of the project, and the same interest in all common expenses of the project, and for all other purposes including voting, as follows:

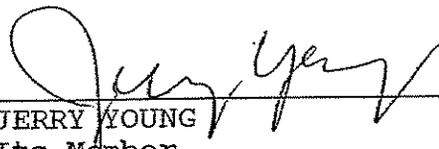
<u>Unit (Apt.) Nos.</u>	<u>Percentage Interest</u>
Nos. 1 through 12, inclusive, 15 and 16	14 x 6.67% = 93.38%
No. 14	1 x 6.62% = $\frac{6.62\%}{100.00\%}$ "

Note: There is no unit numbered 13

B. Except as amended herein, and by the aforesaid amendment, all other declarations and provisions of said Declaration shall remain in full force and effect.

IN WITNESS WHEREOF, the Developer has executed this Amendment this 17th day of OCTOBER, 2006.

SLV, LLC, a Registered Hawaii
Limited Liability Company

By 
JERRY YOUNG
Its Member

By 
LARSEN M. LUKE
Its Member

"DEVELOPER"

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 17th day of October, 2006, before me appeared JERRY YOUNG, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Hawaii Limited Liability Company, and that the instrument was signed in behalf of the company and said member acknowledged the instrument to be the free act and deed of the Company.

Vernon T. Tashima
Notary Public, State of Hawaii L.S.
Print/Type Name: VERNON T. TASHIMA
My commission expires: 9/26/2009

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 17th day of October, 2006, before me appeared LARSEN M. LUKE, to me personally known, who, being by me duly sworn, did say that he is a member of SLV, LLC, a Hawaii Limited Liability Company, and that the instrument was signed in behalf of the company and said member acknowledged the instrument to be the free act and deed of the Company.

Vernon T. Tashima
Notary Public, State of Hawaii L.S.
Print/Type Name: VERNON T. TASHIMA
My commission expires: 9/26/2006