DEVELOPER'S PUBLIC REPORT
FOR A CONDOMINIUM

CONDOMINIUM PROJECT NAME	355 & 355A AUWINALA ROAD
Address	355 and 355A Auwinala Road Kailua, Hawaii 96734
Registration Number	6124
Effective Date of Report	October 9, 2006
Developer	MICHAEL D. STYRING and KAREN M. STYRING

Preparation of this Report

The Developer prepared this report to disclose relevant information, including "material facts", that are reasonably known to the Developer about the condominium project covered by this report. This report has been prepared pursuant to the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, as amended from time to time. 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 report 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 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 or all pertinent changes, or both, about the project have been fully or adequately disclosed; or (3) is not the Commission's judgment of the value or merits of the project.

This report may be used by the Developer for promotional purposes only if it is used in its entirety. No person shall advertise or represent that the Commission has approved or recommended the project, this report or any of the documents submitted with Developer's application for registration of this project.

This report will be amended if, after the effective date of this report, any changes, either material or pertinent changes, or both, occur regarding the information contained in or omitted from this report. In that case, the Developer is required to submit immediately to the Commission an amendment to this report or an amended Developer's Public Report, clearly reflecting the changes, together with such supporting information as may be required by the Commission. In addition, the Developer may choose at any time to change or update the information in this report. Annually, at least thirty days prior to the anniversary date of the Effective Date of this report, the Developer shall file an annual report to update the material contained in this report. If there are no changes, the Developer is required to state that there are no changes. The Developer's obligation to amend this report or to file annual reports ends when the initial sales of all units in the project have been completed.

Purchasers are encouraged to read this report carefully and to seek professional advice before signing a sales contract for the purchase of a unit in the project.

Signing a sales contract may legally bind a purchaser to purchase a unit in the project, though a purchaser may have rights to cancel or rescind a sales contract under particular circumstances that may arise.

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

SPECIAL ATTENTION

This is a CONDOMINIUM PROJECT and not a subdivision. The land area beneath and immediately appurtenant to each apartment unit is designated a LIMITED COMMON ELEMENT and is not a legally subdivided lot. The broken lines on the Condominium Map bounding the designated number of square feet within each limited common element land area are for illustrative purposes only, and should in no way be construed to be the property lines of legally subdivided lots.

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

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

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EXHIBIT M: Declaration of Condominium Property Regime
EXHIBIT N: Condominium Map
EXHIBIT O: By-Laws of the Association of Unit Owners

General Information On Condominiums

A condominium is a special form of ownership of real property. To create a condominium in Hawaii after July 1, 2006, the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, must be followed. In addition, certain requirements and approvals of the county in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land and/or the building(s) and other improvements are leased to the purchaser. The lease for the land usually requires that at the end of the lease term, the lessees (unit owners) deliver their interest in the land to the lessor (fee property owner).

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

You will be entitled to exclusive ownership and possession of your unit. Subject to the documents governing them, condominium units may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift or operation of law.

Your unit will, however, be part of the group of units that comprise the condominium project. Study the project's Declaration of Condominium Property Regime, Bylaws of the Association of Unit Owners, Condominium Map and House Rules, if any, which are attached as exhibits to this report. These documents contain important information on the use and occupancy of the units and the common elements of the project, as well as the rules and regulations of conduct for unit owners, tenants and guests.

Operation of the Condominium Project

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

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as a unit owner. The Board and officers can take certain actions without the vote of the unit owners. For example, the Board may hire and fire employees, increase or decrease maintenance fees, adopt budgets for revenues, expenses and reserves and regulate the use, maintenance, repair and replacement of common elements. Some of these actions may significantly impact the unit owners.

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

1. THE CONDOMINIUM PROJECT

1.3 The Underlying Land

Fee Simple or Leasehold Project	_X_ Fee Simple _____ Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	_X_ Yes _____ No
Fee Owner's Name if Developer is not the Fee Owner	Developer is the Fee Owner
Fee Owner's Address	355 Auwinala Road Kailua, Hawaii 96734
Address of Project	355 and 355A Auwinala Road Kailua, Hawaii 96734
Address of Project is expected to change because	Not expected to change
Tax Map Key (TMK)	(1) 4-2-20-80
Tax Map Key is expected to change Because	The City and County of Honolulu may assign new CPR numbers for each unit
Land Area	20,675 square feet
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	N/A

1.3 Buildings and Other Improvements

Number of Buildings	2
Floors Per Building	2 – Unit 355 1 – Unit 355A
Number of New Building(s)	N/A
Number of Converted Building(s)	2
Principal Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	Concrete, wood and allied building material

1.3 Unit Types and Sizes of Units

Unit Type	Quantity	BR/Bath	Net Living Area	Net Other Areas	Other Areas (lanai, garage, etc.)	Area
355	1	5/6	4,661 sq. ft.	986 sq. ft.	lanai	349 sq.ft.
					garage	508 sq.ft.
					deck	129 sq.ft.
355A	1	2/2	1,233 sq. ft.	360 sq. ft.	lanai	360 sq.ft.
See Exhibit _"A"__.						

2	**Total Number of Units**

Note: Net Living Area is the floor area of the unit measured from the interior surface of the perimeter walls of the unit. Other documents and maps may give floor area figures that differ from those above because a different method of determining floor area may have been used.

1.4 Parking Stalls

Total Parking Stalls in the Project:	7
Number of Guest Stalls in the Project:	None
Number of Parking Stalls Assigned to Each Unit:	Unit 355 – 5 Unit 355A – 2
Attach Exhibit "A" 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, describe such rights. N/A	

1.5 Boundaries of the Units

Boundaries of the unit: See Exhibit "B"

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): See Exhibit "C"

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 the Declaration, is:
Described in Exhibit _____.
As follows: The percentage of common interest appurtenant to each apartment in the Project is 50%

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

	Swimming pool
	Laundry Area
	Storage Area
	Tennis Court
	Recreation Area
	Trash Chute/Enclosure(s)
	Exercise Room
	Security Gate
	Playground
X	Other (describe): Driveway

1.9 Common Elements

Common Elements: Common elements are those parts of the condominium project other than the individual units and any other real estate for the benefit of unit owners. Although the common elements are owned jointly by all unit owners, those portions of the common elements that are designated as limited common elements (see Section 1.10 below) may be used only by those units to which they are assigned. In addition to the common facilities described in Section 1 .8 above, the common elements for this project, as described in the Declaration, are set forth below.
Described in Exhibit "D".
Described as follows:

Common Element	Number
Elevators	N/A
Stairways	N/A
Trash Chutes	N/A

1.10 Limited Common Elements

Limited Common Elements: A limited common element is a portion of the common elements that is reserved for the exclusive use of one or more but fewer than all units in the project.
Described in Exhibit "E".
Described as follows:

1.11 Special Use Restrictions

The Declaration and Bylaws may contain restrictions on the use and occupancy of the units. Restrictions for this project include, but are not limited to, those described below.	
X	Pets: Dogs, cats and other household pets in reasonable numbers are permitted See Article X, Section 10.7 of By-Laws)
	Number of Occupants:
	Other:
	There are no special use restrictions.

1.12 Encumbrances Against Title

An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of a unit in the project. Encumbrances shown may include blanket liens which will be released prior to conveyance of a unit (see Section 5.3 on Blanket Liens).
Exhibit "F" describes the encumbrances against title contained in the title report described below.
Date of the title report: July 11, 2006; Updated July 19, 2006
Company that issued the title report: Fidelity National Title Insurance Company

1.13 Uses Permitted by Zoning and Zoning Compliance Matters

Uses Permitted by Zoning				
	Type of Use	No. of Units	Use Permitted by Zoning	Zoning
X	Residential	2	[X] Yes [ ] No	R-10
	Commercial		[ ] Yes [ ] No	
	Mix Residential/Commercial		[ ] Yes [ ] No	
	Hotel		[ ] Yes [ ] No	
	Timeshare		[ ] Yes [ ] No	
	Ohana		[ ] Yes [ ] No	
	Industrial		[ ] Yes [ ] No	
	Agricultural		[ ] Yes [ ] No	
	Recreational		[ ] Yes [ ] No	
	Other (specify)		[ ] Yes [ ] No	
Is/Are this/these use(s) specifically permitted by the project's Declarations or Bylaws?			[X] Yes [ ] No	
Variances to zoning code have been granted.			[ ] Yes [X] No	
Describe any variances that have been granted to zoning code.			N/A	

1.14 Other Zoning Compliance Matters

Conforming/Non-Conforming Uses, Structures and Lots

In general, a non-conforming use, structure or lot is a use, structure or lot that was lawful at one time but that does not now conform to present zoning requirements. Under present zoning requirements, limitations may apply to extending, enlarging or continuing the non-conformity and to altering and repairing non-conforming structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

If a variance has been granted or if uses, structures or lots are either non-conforming or illegal, the purchaser should consult with county zoning authorities as to possible limitations that may apply in situations such as those described above.

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

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

If a non-conforming use, structure or lot exists in this project, this is what will happen under existing laws or codes if the structure is damaged or destroyed: N/A

1.15 Conversions

Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.	**_X_ Applicable** **_____ Non Applicable**
Developer's statement, based upon a report prepared by a Hawaii-licensed architect or engineer, describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the units: See Exhibit "G"	
Developer's statement of the expected useful life of each item reported above: See Exhibit "L"	
List of any outstanding notices of uncured violations of any building code or other county regulations: N/A	
Estimated cost of curing any violations described above: N/A	

Verified Statement from a County Official
Regarding any converted structures in the project, attached as Exhibit _"H"_ is a verified statement signed by an appropriate county official which states that either: (A) The structures are in compliance with all zoning and building ordinances and codes applicable to the project at the time it was built, and specifying, if applicable: (i) Any variances or other permits that have been granted to achieve compliance; (ii) Whether the project contains any legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes; and (iii) Any violations of current zoning or building ordinances or codes and the conditions required to bring the structure into compliance; or (B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.
Other disclosures and information: N/A

1.16 Project In Agricultural District

Is the project in an agricultural district as designated by the land use laws of the State of Hawaii? **If answer is "Yes", provide information below.**	_____ **Yes** _X_ **No**
Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable state and county land use laws? _____ Yes _____ No If the answer is "No", provide explanation.	
Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable county real property tax laws? _____ Yes _____ No If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.	
Other disclosures and information:	

1.17 Project with Assisted Living Facility

Does the project contain any assisted living facility units subject to Section 321 -11(10), HRS? **If answer is "Yes", complete information below.**	_____ **Yes** _X_ **No**
Licensing requirements and the impact of the requirements on the costs, operations, management and governance of the project.	
The nature and the scope of services to be provided.	
Additional costs, directly attributable to the services, to be included in the association's common expenses.	
The duration of the provision of the services.	
Other possible impacts on the project resulting from the provision of the services.	
Other disclosures and information.	

2. PERSONS CONNECTED WITH THE PROJECT

2.1 Developer	Name: MICHAEL D. STYRING and KAREN M. STYRING Address: 355 Auwinala Road Kailua, Hawaii 96734 Home Phone Number: (808) 261-9222 E-mail Address:
Names of officers and directors of developers that are corporations; general partners of a partnership; partners of a limited liability partnership (LLP); or a manager and members of a limited liability company (LLC) (attach separate sheet if necessary).	
2.2 Real Estate Broker	Name: American Dream Realty LLC, dba American Dream Realty Address: 46 Hoolai Street Kailua, Hawaii 96734 Business Phone Number: (808) 261-0979 E-mail Address:
2.3 Escrow Depository	Name: Fidelity National Title & Escrow of Hawaii, Inc. Address: 201 Merchant Street, Suite 2100 Honolulu, Hawaii 96813 Business Phone Number: (808) 536-0404
2.4 General Contractor	Name: N/A Address: Business Phone Number:
2.5 Condominium Managing Agent	Name: N/A Address: Business Phone Number:
2.6 Attorney for Developer	Name: Anders G. O. Nervell, Esq. Address: Clay Chapman Crumpton Iwamura & Pulice 700 Bishop Street, Suite 2100 Honolulu, Hawaii 96813 Business Phone Number: (808) 535-8400

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
Bureau of Conveyances	August 10, 2006	2006-150176

Amendments to Declaration of Condominium Property Regime N/A

Land Court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	acknowledged August 30, 2006	2006-164668

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 Unit 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
Bureau of Conveyances	August 10, 2006	2006-150177

Amendments to Bylaws of the Association of Unit Owners N/A

Land Court or Bureau of Conveyances	Date of Document	Document Number

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	
Bureau of Conveyances Map Number	4302

Dates of Recordation of Amendments to the Condominium Map: Amendment of Declaration of Condominium Property Regime and Condominium Map dated ---- (acknowledged August 30, 2006), recorded in the Bureau of Conveyances as Document 2006-164668.

3.4 House Rules

The Board of Directors may adopt rules and regulations (commonly called "House Rules") to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the Developer. Changes to House Rules do not need to be recorded to be effective.	
The House Rules for this project:	
Are Proposed	
Have Been Adopted and Date of Adoption	
Developer does not plan to adopt House Rules	X

3.5 Changes to the Condominium Documents

Changes to Condominium Documents: Changes to the Declaration, Bylaws and Condominium Map are effective only if they are duly adopted and recorded. Where permitted, the minimum percentages of the common interest that must vote for or give written consent to changes to the Declaration, Bylaws and Condominium Map are set forth below. The percentages for any individual condominium project may be more than the minimum set by law if the Declaration or Bylaws for the project so provide.		
Document	Minimum Set by Law	This Condominium
Declaration	67%	67%
Bylaws	67%	67%

3.6 Rights Reserved by the Developer to Make Changes to the Condominium Project or Condominium Documents

[ ]	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
[X]	Developer has reserved the right to change the Declaration, Bylaws, Condominium Map and House rules (if any) and to add to or merge the project or to develop the project in one or more phases, and such rights are summarized as follows: 1. To grant easements for utility easements (see paragraph 7.5 of the Declaration). 2. To amend the Declaration by filing an "as built" certificate (see paragraph 20.1 of the Declaration). 3. To amend the Declaration to comply with the requirements imposed by law, title insurers, lenders, etc. (see paragraph 20.2 of the Declaration). 4. To amend the By-Laws to comply with the requirements of any federal or State governmental agency (see Section 10.2(a) of the By-Laws). 5. To amend the Declaration and Condominium Map to conform the location of the parking stalls with the descriptions in Exhibit "A".

4. CONDOMINIUM MANAGEMENT

4.1 Management of the Common Elements

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

The Initial Condominium Managing Agent for this project is (check one):	
	Not affiliated with the Developer
X	None (self-managed by the Association)
	The Developer or an affiliate of the Developer
	Other (explain)

4.2 Estimate of the Initial Maintenance Fees

Estimate of the Initial Maintenance Fees: The Association will make assessments against your unit to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your unit and the unit may be sold through a foreclosure proceeding. Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.
Exhibit "I" contains a breakdown of the estimated annual maintenance fees and the monthly estimated maintenance fee for each unit, certified to have been based on generally accepted accounting principles, with the Developer's statement as to when a unit owner shall become obligated to start paying the unit owner's share of the common expenses.

4.3 Utility Charges to be Included in the Maintenance Fee

If checked, the following utilities are included in the maintenance fee:	
	Electricity for the common elements
	Gas for the common elements
	Water
	Sewer
	TV cable
	Other (specify)

4.4 Utilities to be Separately Billed to Unit Owner

If checked, the following utilities will be billed to each unit owner and are not included in the maintenance fee:	
X	Electricity for the Unit only
X	Gas for the Unit only
X	Water
X	Sewer
X	TV cable
	Other (specify)

5. SALES DOCUMENTS

5.1 Sales Documents Filed with the Real Estate Commission

Sales Documents on file with the Commission include, but are not limited to, the following:	
X	Specimen Sales Contract Exhibit __"J"__ contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.
X	Escrow Agreement dated: Name of Escrow Company: Exhibit __"K"__ contains a summary of the pertinent provisions of the escrow agreement.
	Other

5.2 Sales to Owner-Occupants

If this project contains three or more residential units, the Developer shall designate at least fifty percent (50%) of the units for sale to Owner-Occupants. N/A

	The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B.
	Developer has designated the units for sale to Owner-Occupants in this report. See Exhibit _____.
	Developer has or will designate the units for sale to Owner-Occupants by publication.

5.3 Blanket Liens

Blanket Liens: A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project or more than one unit that secures some type of monetary debt (such as a loan) or other obligation. Blanket liens (except for improvement district or utility assessments) must be released as to a unit before the developer conveys the unit to a purchaser. The purchaser's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the unit to the purchaser.	
[ ]	There are no blanket liens affecting title to the individual units.
[X]	There are blanket liens that may affect title to the individual units.

Type of Lien	Effect on Purchaser's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance
Mortgage	Buyer's interest is subordinate to mortgagee's and is subject to termination. Buyer is entitled to return of any deposits paid, less escrow cancellation fees if the deposit has not yet been expended.

5.4 Construction Warranties

Construction Warranties: Warranties for individual units and the common elements, including the beginning and ending dates for each warranty (or the method of calculating them), are as set forth below:
Building and Other Improvements: None. Units to be conveyed "as is". Developer is not making any warranties on the materials and workmanship of the Units.
Appliances: None. Appliances sold "as is".

5.5 Status of Construction, Date of Completion or Estimated Date of Completion

Status of Construction: Unit 355 was completed in 1947 and renovated in 1991. Unit 355A was completed in 1985 and renovated in 2004.
Completion Deadline: If a sales contract for a unit is signed before the construction of the unit has been completed, or, in the case of a conversion, completion of any repairs, does not occur by the completion deadline set forth below, one of the remedies available to a purchaser is a cancellation of the purchaser's sales contract. The sales contract may include a right of the Developer to extend the completion deadline for force majeure as defined in the sales contract. The sales contract may also provide additional remedies for the purchaser.
Completion Deadline for any unit not yet constructed, as set forth in the sales contract: N/A
Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract: N/A

5.6 Developer's Use of Purchaser Deposits to Pay for Project Construction Costs Before Closing or Conveyance

The Developer is required to deposit all moneys paid by purchasers in trust under a written escrow agreement with a Hawaii licensed escrow depository. Escrow shall not disburse purchaser deposits to the Developer or on behalf of the Developer prior to closing, except if a sales contract is canceled or if Developer has met certain requirements, which are described below.

5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance

X	The Developer hereby declares by checking the box to the left that it shall use its own funds to complete the construction of the condominium project by the date indicated in Section 5.5 of this report, and the Developer, pursuant to its own analysis and calculations, certifies that it has sufficient funds to complete the construction of the condominium project. If the box to the left is checked, Sections 5.6.2 and 5.7, which follow below, will not be applicable to the project.

5.6.2 Purchaser Deposits Will Be Disbursed Before Closing

Hawaii law provides that, if certain statutory requirements are met, purchaser deposits in escrow under a binding sales contract may be used before closing to pay for certain project costs. For this project, the Developer indicates that purchaser deposits may be used for the following purposes (check applicable box):	
____	For new construction: to pay for project construction costs described in the Developer's budget and approved by the Developer's lender or an otherwise qualified, financially disinterested person; or
____	For conversions: to pay for repairs necessary to cure violations of county zoning and building ordinances and codes, for architectural, engineering, finance and legal fees, and for other incidental expenses.

In connection with the use of purchaser deposits (check Box A or Box B):

Box A _____	The Developer has submitted all information and documents required by law and the Commission prior to the disbursement of purchaser deposits before closing. This means that the Developer may use such deposits before closing. If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report. If Box A is checked, you should read and carefully consider the following notice, which is required by law: **Important Notice Regarding Your Deposits: Deposits that you make under your sales contract for the purchase of the unit may be disbursed before closing of your purchase to pay for project costs, construction costs, project architectural, engineering, finance, and legal fees, and other incidental expenses of the project. While the developer has submitted satisfactory evidence that the project should be completed, it is possible that the project may not be completed. If your deposits are disbursed to pay project costs and the project is not completed, there is a risk that your deposits will not be refunded to you. You should carefully consider this risk in deciding whether to proceed with your purchase.**
Box B _____	The Developer has **not** submitted all information and documents required by law and the Commission, and, until all such information and documents are submitted, thus, the Developer cannot use purchaser deposits. If the Developer later submits all information and documents required by law and the Commission for the use of purchaser deposits, then the Developer must provide an amendment to this report or an amended developer's public report to each purchaser who has signed a sales contract. At such time, the **Important Notice Regarding Your Deposits** set forth immediately above will apply to all purchasers and will be restated in the amendment to this report or an amended developer's public report. When an effective date for such an amendment or an amended developer's public report is issued, **you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment**. (This, however, does not affect your right to rescind for material changes or any other right you may have to rescind or cancel the sales contract, as described in Section 5.8 below.) If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report. You should understand that, although the **Important Notice Regarding Your Deposits** set forth above does not currently apply to you, it might apply to you in the future, and, therefore, you should read and carefully consider it now to ensure that you understand the risk involved in deciding whether to proceed with your purchase.

Material House Bond. If the Developer has submitted to the Commission a completion or performance bond issued by a material house instead of a surety as part of the information provided prior to the use of purchaser deposits prior to closing or conveyance of a unit, the Developer shall disclose the same below and disclose the impact of any restrictions on the Developer's use of purchaser deposits.

5.7 Rights Under the Sales Contract

Before signing the sales contract, prospective purchasers should carefully review all documents relating to the project. These include but are not limited to the documents listed below. Items 2, 3 and 4 are made a part of this public report, as well as Item 5, if any, and are being delivered to you with this report.	
1.	**Developer's Public Report**
2.	**Declaration of Condominium Property Regime (and any amendments)**
3.	**Bylaws of the Association of Unit Owners (and any amendments)**
4.	**Condominium Map (and any amendments)**
5.	House Rules, if any
6.	Escrow Agreement
7.	Hawaii's Condominium Property Act (Chapter 51 4B, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended), provided that rules and regulations under Chapter 514B have not yet been adopted.
8.	Other:

Copies of the condominium and sales documents and amendments made by the Developer are available for review through the Developer or through the Developer's sales agent, if any. The Condominium Property Regime law (Chapter 514B, HRS) and the Administrative Rules (Chapter 107, HAR), are available online. Please refer to the following sites:
Website to access official copy of laws: www.capitol.hawaii.gov
Website to access rules: www.hawaii.gov/dcca/har

5.8 Purchaser's Right to Cancel or Rescind a Sales Contract

A purchaser's right to cancel a sales contract or to rescind a sales contract may arise under varying circumstances. In the sections below, some circumstances that will give rise to a purchaser's right to cancel or rescind are described, together with what a purchaser must do if the purchaser wishes to exercise any of the rights.

5.8.1 When a Sales Contract becomes Binding and Purchaser's 30-Day Right to Cancel a Sales Contract

A sales contract signed by a purchaser and the developer will not become binding on a purchaser or the Developer until the following events have taken place:

(1) The purchaser has signed the sales contract.

(2) The Developer has delivered to the purchaser a true copy of the developer's public report with an effective date issued by the Commission, together with all amendments to the report as of the date of delivery, and the project's recorded Declaration, Bylaws, House Rules (if any), the Condominium Map and any amendments to them to date (all of which are a part of the developer's public report). If it is impracticable to include a letter-sized Condominium Map, the Developer must provide written notice of an opportunity to examine the Condominium Map.

(3) The Developer has delivered to the purchaser a notice of the purchaser's 30-day cancellation right on a form prescribed by the Commission.

(4) The purchaser does at least one of the following:

(a) Waives the purchaser's right to cancel the sales contract within 30 days from receipt of the notice of the purchaser's 30-day cancellation right; or

(b) Allows the 30-day cancellation period to expire without exercising the right to cancel; or

(c) Closes the purchase of the unit before the 30-day cancellation period expires.

The purchaser or the Developer may cancel the sales contract at any time during the 30-day cancellation period, and the sales contract will be canceled and the purchaser's deposits returned to the purchaser, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of $250.

5.8.2 Right to Cancel a Sales Contract if Completion Deadline Missed

In addition to the purchaser's 30-day cancellation right described in Section 5.8.1 above, when a sales contract is signed before completion of construction of a project, the purchaser will have the right to cancel if the unit is not completed by certain deadlines. In conversion projects, there must be a deadline for completion of any required repairs. Every sales contract shall contain an agreement of the Developer that the completion of construction shall occur on or before the completion deadline, and that completion deadline is set forth in this report in Section 5.5. The sales contract shall provide that the purchaser may cancel the sales contract at any time after the specified completion deadline, if completion of construction does not occur on or before the completion deadline, as the same may have been extended. Upon a cancellation, the purchaser's deposits shall be refunded, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of $250.00.

5.8.3 Purchaser's Right to Rescind a Binding Sales Contract After a Material Change

If a "material change" in a project occurs after a purchaser has signed a sales contract that has become binding, the purchaser will have a 30-day right to rescind after notification and description of the material change. A material change is defined in the Condominium Property Act to be 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 purchaser will be informed of the material change by the developer on a form prescribed by the Commission containing a description of the material change.

After notice of the material change, the purchaser may waive the right to rescind by:

(1) Checking the waiver box on the rescission form; or

(2) Letting the 30-day rescission period expire, without taking any action to rescind; or

(3) Closing the purchase of the unit before the 30-day rescission period expires.

The rescission form must be signed by all purchasers of the affected unit and delivered to the developer no later than midnight of the 30th calendar day after the purchasers received the rescission form from the developer. Purchasers who validly exercise the right of rescission shall be entitled to a prompt and full refund of any moneys paid.

A rescission right shall not apply in the event of any additions, deletions, modifications and reservations including, without limitation, the merger or addition or phasing of a project, made pursuant to the terms of the project's Declaration.

These provisions shall not preclude a purchaser from exercising any rescission rights pursuant to a contract for the sale of a unit or any applicable common law remedies.

6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT

1. Not a Subdivision. This is a condominium project which should not be confused with a subdivision. A purchaser of a unit will be conveyed a condominium unit together with and "undivided" interest in the common elements of the project. The entire parcel of land upon which the project is situated is designated as a common element. That portion of the common element which each purchaser has the exclusive right to use is called a limited common element or area, but is not a separate, legally subdivided lot.

2. Maintenance Fees. Developer believes that there will be no maintenance fees. This is because all costs of every kind pertaining to each unit and its respective limited common elements, including but not limited to, costs of landscaping, maintenance, repair, replacement and improvement shall be borne entirely by the respective unit owner. Although there is a common element driveway, the Developer believes that the owners would rather treat any repair or resurface of the driveway as a special assessment rather than collect and maintain a reserve fund. All utilities are separately metered.

3. Insurance. Section 514B-143, Hawaii Revised Statutes, requires the Association of Unit Owners to purchase property insurance to cover the improvements of the Project, and that the premiums for the such insurance be common expenses. Developer anticipates that, in accordance with Section 514B-143(c), Hawaii Revised Statutes, the Association will elect, pursuant to Paragraph 16.5 of the Declaration, to permit individual unit owners to obtain and maintain separate policies of property insurance and name the Association as an additional insured. In such case, the insurance premiums will be the responsibility of individual unit owners and not common expenses. Prospective purchasers should consult with their own insurance professionals to obtain an estimate for individual property insurance.

4. Reserves. Developer discloses that no "reserve study" was done in accordance with Section 514B-148, Hawaii Revised Statutes.

5. Disclosure Regarding "AS-IS" Sale. The two units will be conveyed in their present "as is" condition.

6. Disclosure re. Active Real Estate Sales Person. One of the Developers, Michael D. Styring, is an active Hawaii real estate salesperson (RS-62171) with the project's real estate broker, American Dream Realty LLC, dba American Dream Realty.

7. Disclosure re. Selection of Real Estate Broker for Unit 355A. The Developer plans to sell the units in the project. However, with respect to Unit 355A, the Developer is not prepared to make any current offerings of sale. This public report shall not bind a purchaser to the sale of Unit 355A until: (1) the Developer first submits to the Real Estate Commission a duly executed disclosure abstract identifying the designated sales agent and a duly executed copy of a broker listing agreement with a Hawaii-licensed real estate broker covering Unit 355A; and (2) gives a copy of said disclosure abstract to the purchaser, together with a copy of this public report.

The broker listing agreement submitted to the Real Estate Commission prior to the issuance of this report covers only Unit 355.

NOTE: This project is covered by Chapter 514B, Hawaii Revised Statutes. A Purchaser may be further protected by other provisions of this law that have not been specified or discussed in this Public Report. Purchasers are encouraged to seek legal assistance should issues arise involving this law. It is the Developer's intent to amend the Declaration and/or the By-Laws shortly to clarify the follow items, among others:

i) Upkeep of project – high-risk components (§514B-138, HRS);
ii) Definitions (§514B-3, HRS);
iii) Association records (§§514B-152, 153 & 154, HRS); and
iv) That Developer does not reserve to further develop the project, and will elect to exempt the project from Part VI of Chapter 514B, Hawaii Revised Statutes (§514B-101, HRS).

Upon doing so, Developer will amend this Public Report to reflect completion of the changes.

The Developer declares subject to the penalties set forth in Section 514B-69 that this project conforms 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). For any conversion, if any variances have been granted, they are specified in Section 1.14 of this report, and, if purchaser deposits are to be used by the Developer to cure any violations of zoning, permitting requirements or rules of the county in which the project is located, the violation is specified in Sections 1 .16 of this report, 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 and the exhibits attached to this report 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 to report any pertinent or material change or both in any information contained in this report and to file annually a report to update the material contained in this report at least 30 days prior to the anniversary date of the effective date of this report.

MICHAEL D. STYRING and KAREN M. STYRING
Print Name of Developer

MICHAEL D. STYRING — Date: 8-10-06

KAREN M. STYRING — Date: 8-10-06

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.**

EXHIBIT "A"

Description of Units

There are two (2) condominium units in the Project. Each of the two (2) buildings contains one (1) condominium unit. The units are more particularly described below:

1. Unit 355. Unit 355 is a two-story residential structure without a basement.

(a) First Floor. The first floor of Unit 355 contains four (4) bedrooms, five (5) bathrooms, kitchen, dining room, family room, living room, recreation room, covered lanai, and garage. The net living area of the first floor of Unit 355 is approximately 3,535 square feet, the area of the covered lanai is approximately 349 square feet, and the area of the garage is approximately 508 square feet.

(b) Second Floor. The second floor of Unit 355 contains one (1) bedroom, one (1) bathroom, den, and deck. The net living area of the second floor of Unit 355 is approximately 1,126 square feet, and the area of the deck is approximately 129 square feet.

Unit 355 has three (3) appurtenant covered regular parking stalls located within the garage of Unit 355, and will have two (2) additional open regular parking stalls located in that area marked "concrete driveway" fronting Auwinala Road as shown on the Condominium Map.

2. Unit 355A. Unit 355A is a one-story residential structure without a basement. Unit 355A contains two (2) bedrooms, two (2) bathrooms, kitchen, dining room, living room, and covered lanai. The net living area of Unit 355A is approximately 1,233 square feet, and the area of the covered lanai is approximately 360 square feet.

Unit 355A has two (2) appurtenant tandem open regular parking stalls located at the end of the driveway within the appurtenant Dwelling Area as shown on the Condominium Map.

NOTE: Prior to the first conveyance of a unit the Declaration and Condominium Map will be amended to show the location of the parking stalls in conformance with the above description.

END OF EXHIBIT "A"

EXHIBIT "B"

Boundaries of Each Unit

Each Unit consists of (a) all footings, floors, foundations, perimeter walls and roofs of the Building and all other improvements from time to time located upon the Dwelling Area appurtenant to the Units; (b) all of the space, fixtures, walls and other improvements located within such footings, floors, foundations, perimeter walls and roofs; (c) all exterior surfaces and finishes of such footings, floors, foundations, perimeter walls and roofs; (d) all decks, lanais, porches, steps, stairs or other improvements physically attached to any Building and for the exclusive use of the Owners and occupants of any Building; and (e) all portions of any carport or garage physically attached to, or contained in, any Building or located on the Dwelling Area appurtenant to the Unit and for the exclusive use of the owner and occupants of the Unit. The foregoing, as initially established or as hereafter changed pursuant to Paragraph 19.1 of the Declaration, is referred to herein as a Unit. Any part of a Unit shall be the Owner's responsibility to repair and/or replace. A Unit shall not be deemed to include any pipes, wires, ducts, conduits, or other utility or service lines running through a Unit (or the Dwelling Area appurtenant to such Unit) which are utilized by or serve any other Unit. These are Common Elements and the Association's responsibility to repair and/or replace.

END OF EXHIBIT "B"

EXHIBIT "C"

Permitted Alterations to Units

The following are provisions from the Declaration pertaining to alterations of the units in the Project.

1. Paragraph 19.1 of the Declaration provides that:

19.1 Changes to Units. Notwithstanding anything to the contrary contained in this Declaration, a Unit Owner, with the consent by the holder of any mortgage affecting the Owner's Unit (if required by such mortgage), shall have the right at his sole option at any time and from time to time without the consent of any other person, to improve, renovate, remodel, make additions to, enlarge, remove, replace or restore the improvements to or in his Unit or portions thereof or to make or build improvements upon the Dwelling Area appurtenant to the Unit (collectively, the foregoing are referred to "changes") subject to the following conditions:

(i) All building plans for any such changes shall be prepared by a Hawaii licensed architect or professional engineer and conform with applicable City and County building, zoning laws and ordinances (including, but not limited to setback requirements) and applicable State law, and all construction changes shall be undertaken by a building contractor licensed in the State of Hawaii. The dashed line on the Condominium Map delineating the respective Dwelling Areas shall be treated as property boundary lines for the purpose of determining applicable setback requirements.

(ii) All changes to a Unit must be made within the Dwelling Area which is appurtenant to the Unit; provided, however, that no structure as defined under the LUO shall be constructed or placed within five (5) feet of any boundary line separating two Dwelling Areas.

(iii) No change to a Unit will be made if the effect of such change would be to exceed the Unit's proportionate share of the allowable floor area or building area coverage for the Land, or number of dwelling units, as defined by the LUO in effect when the change is to be made; provided, however, that each Unit shall be permitted to have only one dwelling unit as defined under the LUO. The "proportionate share" for each Unit shall be the same as its common interest in the Land.

(iv) All such changes shall be at the expense of the Owner making the change and shall be expeditiously made and in a manner that will not unreasonably interfere with the other owner's use of his Unit or its appurtenant Dwelling Area.

(v) During the entire course of such construction, the Owner making such change will cause to be maintained at his expense builder's all-risk insurance in an amount not less than the estimated cost of construction. The Association shall be named as an additional insured and, upon the request of the Association, evidence of such insurance shall be deposited with the Association or its Managing Agent, if any;

(vi) The Owner of the changed Unit shall have the right to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for services to the Unit affected by such change for electricity, sewer, and other utilities and services and when applicable, to add, delete, relocate, realign, designate, and grant easement and rights-of-way over, under, and on the common elements as necessary or desirable in connection therewith; provided that the same shall not cause any interruption in the service of such utilities to any other part of the Project or otherwise materially interfere with their use by the other Owner;

(vii) If the consent to the change or joinder of another Owner is required by the Act, then each owner hereby consents in advance to such change.

(viii) Each and every conveyance, lease and mortgage or other lien made or created on any Unit and all common interests and other appurtenances thereto shall be subject to the provisions of this paragraph and any lease of a Dwelling Area shall reserve to each owner the rights set forth in this paragraph.

2. Paragraph 20.4 of the Declaration provides that:

20.4 Amendments for Changes to Units. Notwithstanding the foregoing, an Owner shall have the right without the consent or joinder of any other person to amend this Declaration and the Condominium Map to reflect the changes made to his Unit in accordance with Paragraph 19.1 or Paragraph 19.2 of this Declaration. Promptly upon completion of such changes, the Unit Owner shall duly record with the Recording Office an amendment to this Declaration and to the Condominium Map, together with a complete set of the floor plans of the Project as so altered, certified as built by a licensed architect, engineer, or surveyor. All existing Unit Owners and all future Unit Owners and their mortgagees, by accepting an interest in a Unit, shall be deemed to have given each Unit Owner a Power of Attorney to execute an amendment to the Declaration solely for the purpose of describing the changes to his respective Unit on the Declaration so that each Unit Owner shall hereafter have a Power of Attorney from all the other Unit Owners to execute such Amendment to the Declaration. This Power of Attorney shall be deemed coupled with each Owner's interest in his Unit (including its appurtenant common interest) and shall be irrevocable.

END OF EXHIBIT "C"

EXHIBIT "D"

Description of Common Elements

The common elements include the following located within the Project:

1. The Land in fee simple;

2. The driveway access to the Units (being approximately 514 square feet) as shown on the Condominium Map;

3. All pipes, cables, wires, ducts, conduits, electrical equipment, or other utility or service lines, drainage ditches or appurtenant drainage structures and retaining walls (if any), which are located outside the Units and which are utilized for or serve more than one Unit;

4. All pipes, cables, wires, ducts, conduits, electrical equipment, or other utility or service lines running through a Unit which are utilized by or serve more than one Unit; and

5. Any and all other apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use.

6. All portions of the Project other than the Units, and any other interests in real estate for the benefit of the Unit Owners that are subject to the Declaration.

END OF EXHIBIT "D"

EXHIBIT "E"

Description of Limited Common Elements

The limited common elements include the following located within the Project:

1. The limited common elements so set aside and reserved for the exclusive use of Unit 355 are as follows:

(a) The site on which Unit 355 is located, consisting of the land beneath and immediately adjacent to Unit 355 (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, and fences and/or walls surrounding said portion of land), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit 355. Said site is referred to in the Declaration as the Dwelling Area, and the Dwelling Area for Unit 355 contains an area of 10,565 square feet.

2. The limited common elements so set aside and reserved for the exclusive use of Unit 355A are as follows:

(a) The site on which Unit 355A is located, consisting of the land beneath and immediately adjacent to Unit 355A (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, and fences and/or walls surrounding said portion of land), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit 355A. Said site is referred to in the Declaration as the Dwelling Area, and the Dwelling Area for Unit 355A contains an area of 9,596 square feet.

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

END OF EXHIBIT "E"

EXHIBIT "F"

List of Encumbrances Against Title

Encumbrances against the title as contained in the Preliminary Report dated July 11, 2006, and issued by Fidelity National Title Insurance Company are as follows:

1. Real property taxes due and payable. For more information contact the City and County of Honolulu, Department of Finance, Real Property Tax Assessment.

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

3. Setback for building purposes contained in that certain Deed dated November 16, 1988, recorded in said Bureau of Conveyances in Liber 22680, Page 731.

4. Covenants, conditions and restrictions (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as set forth in that certain Declaration of Protective Provisions dated July 21, 1978, recorded in said Bureau of Conveyances in Liber 13037, Page 651.

5. Encroachment Agreement and License dated February 8, 2000, recorded in said Bureau of Conveyances as Document No. 2000-023574.

6. Encroachment Agreement and License (Tile Wall) dated May 15, 2002, recorded in said Bureau of Conveyances as Document No. 2002-087523.

7. Mortgage dated May 9, 2002 in favor of American Savings Bank, F.S.B., a federal savings bank, recorded in said Bureau of Conveyances as Document No. 2002-087525.

8. Easement(s) as set forth in a document in favor of Hawaiian Electric Company, Inc., a Hawaii corporation, and Verizon Hawaii Inc., a Hawaii corporation, now known as Hawaiian Telcom Inc., recorded January 21, 2003 in said Bureau of Conveyances as Document No. 2003-010178.

9. Mortgage dated October 29, 2004 in favor of American Savings Bank, F.S.B., a federal savings bank, recorded in said Bureau of Conveyances as Document No. 2004-223505.

10. Condominium Map No. 4302 filed in said Bureau of Conveyances.

11. Declaration of Condominium Property Regime dated August 10, 2006, recorded in said Bureau of Conveyances as Document No. 2006-150176.

12. By-Laws of the Association of Apartment Owners dated August 10, 2006, recorded in said Bureau of Conveyances as Document No. 2006-150177.

END OF EXHIBIT "F"

June 21, 2006

Mr. Michael D. Styring
Mrs. Karen M. Styring
355 Auwinala Road
Kailua, Hawaii 96734

Re: Condominium Conversion Project
Owner: Michael D. Styring and Karen M. Styring
Address: 355 & 355A Auwinala Road, Kailua, Hawaii
TMK No.: (1) 4-2-20-80

Dear Mr. and Mrs. Styring :

Pursuant to your instructions, a visual inspection was made of the one two-story single-family detached dwelling and the one-story single-family detached dwelling located at 355 and 355A Auwinala Road, Kailua, Hawaii, which structures will be designated as Unit 355 and Unit 355A, respectively, of the proposed 355 & 355A Auwinala Road condominium project. The purpose of the inspection was to examine and comment on the present state of the buildings. The following describes my assessment of the present condition of the buildings and the units therein:

Unit 355.

1. The structure appears to be in good condition. The unit is habitable and appears to be free from major structural defects.

2. The electrical and plumbing systems appear to be functioning properly and seem to be in good condition.

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

Unit 355A.

1. The structure appears to be in good condition. The unit is habitable and appears to be free from major structural defects.

2. The electrical and plumbing systems appear to be functioning properly

EXHIBIT "G"

and seem to be in good condition.

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

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

Very truly yours,

Edward A. Resh

Edward A. Resh,
Licensed Professional Architect
No. 3239

277101

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU
650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 523-4432 • FAX: (808) 527-6743
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MUFI HANNEMANN
MAYOR

HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUE
DEPUTY DIRECTOR

2006/ELOG-564(AC)

July 13, 2006

Anders G. O. Nervell, Esq.
Clay Chapman Crumpton Iwamura & Pulice
Attorneys at Law
Topa Financial Center, Bishop Street Tower
700 Bishop Street, Suite 2100
Honolulu, Hawaii 96813

Dear Mr. Nervell:

Re: Condominium Conversion Project
355 & 355A Auwinala Road
Tax Map Key: 4-2-020: 080

This is in response to your letter dated March 10, 2006, requesting verification that the structures on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that a one-story single-family detached dwelling located at 355 Auwinala Road and the canoe shed with two (2) all-weather-surface off-street parking spaces met all applicable code requirements when they were constructed in 1947 and 1985, respectively, on this 20,675 square-foot R-10 Residential District zoned lot.

Investigation also revealed the following:

1) The one-story single-family detached dwelling was converted into a two-story single-family dwelling with Building Permit No. 308186, issued on September 27, 1991.

2) An affidavit was submitted with Building Permit No. 308186, stating it was for "a two-story addition to an existing dwelling. The entire structure shall be maintained as a single-family dwelling containing only one kitchen. An interior connection shall be provided as shown on the approved plans."

3) The canoe shed was converted into a one-story single-family detached dwelling with seven (7) all-weather-surface off-street parking spaces with Building Permit No. 570721, issued on September 10, 2004.

EXHIBIT "H"

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

No variances or other permits were granted to allow deviations from 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 record for subdivision and zoning purposes.

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

Very truly yours,

Henry Eng, FAICP, Director
Department of Planning and Permitting

HE:ft

doc464846

EXHIBIT "I"

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

Apartment	Monthly Fee x 12 months = Yearly Total
Unit 355	None
Unit 355A	None

No common expenses contemplated. However, should any arise, such as repair of the 514 sq. ft. common element driveway, a special assessment will be required.

No reserve study done in accordance with Section 514B-148, Hawaii Revised Statutes.

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

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services

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

Maintenance, Repairs and Supplies

Building
Grounds

Management

Management Fee
Payroll and Payroll Taxes
Office Expenses

Insurance — Each unit owner will purchase his own insurance and name the Association as an additional insured

Reserves(*)

Taxes and Government Assessments

Audit Fees

Other

TOTAL

MICHAEL D. STYRING and KAREN M. STYRING, the developer for the 355 & 355A AUWINALA ROAD condominium project, hereby certifies that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

MICHAEL D. STYRING — 8-10-06 Date

KAREN M. STYRING — 8-10-06 Date

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514B-148, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514B-148, HRS, a new association need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

EXHIBIT "J"

Summary of Pertinent Provisions of Sales Contract

The sales contract contains the price, description and location of the unit and other terms and conditions under which a buyer will agree to buy a unit in the Project. Among other things, the sales contract provides:

1. A section for financing to be filled in and agreed to by the parties which will set forth how the buyer will pay the purchase price.

2. That a buyer's deposits will be held in escrow until the sales contract is closed or cancelled.

3. That the buyer must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

4. That in the event of default:
   If buyer defaults:
   - (1) Seller may bring an action for breach of contract;
   - (2) Seller may retain the deposits as liquidated damages;
   - (3) Buyer is responsible for any costs incurred under the sales contract.

   If seller defaults:
   - (1) Buyer may bring an action for breach of contract;
   - (2) Buyer may bring an action for specific performance;
   - (3) Seller is responsible for any costs incurred under the sales contract.

The prevailing party is entitled to recover all costs incurred including reasonable attorney's fees. Escrow fees incurred shall be deducted before disbursement to the prevailing party.

THE SALES CONTRACT CONTAINS VARIOUS OTHER PROVISIONS WHICH THE BUYER SHOULD BECOME ACQUAINTED WITH. THE INFORMATION CONTAINED HEREIN IS A ONLY A SUMMARY OF THE TERMS OF THE SALES CONTRACT. FOR MORE DETAILED INFORMATION, YOU MUST SECURE A COPY OF THE SALES CONTRACT AND READ IT THOROUGHLY.

END OF EXHIBIT "J"

EXHIBIT "K"

Summary of Pertinent Provisions of Escrow Agreement

The following is a summary of the Escrow Agreement dated August 15, 2006, entered into by and between MICHAEL D. STYRING and KAREN M. STYRING, husband and wife ("Seller"), and FIDELITY NATIONAL TITLE & ESCROW OF HAWAII, INC., a Hawaii corporation ("Escrow").

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

(a) Signed copies of the sales contract will be provided to Escrow.

(b) Escrow will collect payments due pursuant to the sales contract.

(c) Seller will notify Escrow who in turn will notify buyer when payments are due.

(d) Escrow will accept buyer's payments pursuant to the sales contract and will hold the funds or make payments according to the escrow agreement.

(e) The escrow agreement states under what conditions escrow will disburse buyer's funds. Escrow will disburse upon receipt of the following:

1. the conveyance document;
2. all necessary releases of encumbrances (under Section 514B-45, HRS);
3. the full amount of the purchase price;
4. any mortgage or other instrument securing payment; and
5. purchaser's share of the closing costs.

(f) Under the escrow agreement buyer shall be entitled to a refund, if buyer makes a written request for a refund and Escrow has received a written request from Seller to return buyer's funds (Section 514B-90, HRS). In addition, by law, (under Sections 514B-86 and 87, HRS) buyer has a right to rescind a sales contract.

(g) The escrow agreement states what will happen to a buyer's funds upon default under the sales contract. Seller is required to certify to Escrow in writing that buyer defaults and that Seller is terminating the contract. Escrow will notify buyer by certified mail that Seller has cancelled contract. Escrow will treat the buyer's funds as belonging to the Seller subject to the provisions relating to dispute and conflicting demands.

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

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

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

END OF EXHIBIT "K"

EXHIBIT "L"

Developer's Statement Concerning Expected Useful Life

Based on the report prepared by the Project's architect, Edward A. Resh, and attached hereto as Exhibit "G", the expected useful life of the structural components and the mechanical and electrical installations of the Project is estimated to be:

between 20 and 30 years for the structural components of the Project; and

between 20 and 30 years for the mechanical and electrical installations of the Project.

MICHAEL D. STYRING

KAREN M. STYRING

August 30, 2006
Date

END OF EXHIBIT "L"

THE ORIGINAL OF THE DOCUMENT
RECORDED AS FOLLOWS:
STATE OF HAWAII

BUREAU OF CONVEYANCES

Doc 2006-150176
AUG 15, 2006 01:00 PM

AFTER RECORDATION, RETURN BY MAIL ( ) PICK-UP (X)
ANDERS G. O. NERVELL, ESQ.
CLAY CHAPMAN CRUMPTON IWAMURA
& PULICE
700 BISHOP STREET, SUITE 2100
HONOLULU, HAWAII 96813

THIS DOCUMENT CONTAINS 32 PAGES

TITLE OF DOCUMENT:

DECLARATION OF CONDOMINIUM PROPERTY REGIME
OF
355 & 355A AUWINALA ROAD

PARTIES TO DOCUMENT:

DECLARANT: MICHAEL D. STYRING and KAREN M. STYRING, husband and wife
355 Auwinala Road, Kailua, Hawaii 96734

PROPERTY DESCRIPTION:

SEE EXHIBIT "A"

DOCUMENT NO(S).: 2002-087524

LAND COURT DOCUMENT NO.: N/A

TRANSFER CERTIFICATE OF
TITLE NO(S).: N/A

Tax Map Key: (1) 4-2-20-80

EXHIBIT "M"

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DECLARATION OF CONDOMINIUM PROPERTY REGIME
OF
355 & 355A AUWINALA ROAD

THIS DECLARATION is made this 10th day of August, 20 06, by MICHAEL D. STYRING and KAREN M. STYRING, husband and wife, whose address is 355 Auwinala Road, Kailua, Hawaii 96734 (hereinafter called the "Declarant").

WITNESSETH:

WHEREAS, Declarant owns in fee simple that certain real property more particularly described in Exhibit "A" attached hereto and made a part hereof (the "Land"); and

WHEREAS, the Declarant desires to submit said Land and the improvements constructed thereon (herein called the "Improvements") to a Condominium Property Regime pursuant to Chapter 514B, Hawaii Revised Statutes, as amended (herein called the "Act"), which said Improvements are more particularly shown and described in the plans filed in the Bureau of Conveyances of the State of Hawaii as Condominium Map No. 4702 (hereinafter referred to as the "Condominium Map"), which said Condominium Map is incorporated herein by reference.

NOW, THEREFORE, in order to create a condominium project consisting of said Land and Improvements (herein called the "Project") and to be known as "355 & 355A AUWINALA ROAD", Declarant hereby submits said Land and Improvements and all of its estate, right, title, and interest therein to a Condominium Property Regime established pursuant to the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, as amended (the "Act"), and in furtherance thereof, makes the following declarations as to divisions, limitations, restrictions, covenants, and conditions, and hereby declares and agrees that said Land and Improvements are held and shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, and improved subject to said declarations, restrictions, and conditions set forth herein and in the By-Laws of the Association of Unit Owners (the "By-Laws) of even date herewith and which are being recorded in the Recording Office concurrently herewith (and which said By-Laws are incorporated herein by reference), as the same may from time to time be amended, which declarations, restrictions, and conditions shall constitute covenants running with the Land and shall be binding upon and shall inure to the benefit of Declarant, its successors and assigns, and all present or future Owners, mortgagees, lessees, and occupants of all or any part of the Project and their respective successors, heirs, personal representatives, and assigns. All of the provisions of this Declaration are intended to create mutual servitudes upon each Unit within the Project and to create reciprocal rights between the respective Unit Owners.

1. NAME, LOCATION, AND DESCRIPTION OF PROPERTY.

1.1 Name of Project. "355 & 355A AUWINALA ROAD".

1.2 Location. Off Auwinala Road, Kailua, City and County of Honolulu, State of Hawaii.

1.3 Tax Map Key No. (1) 4-2-20-80

1.4 Description of Land. The Project is located on that certain fee simple parcel of land, as more particularly described in Exhibit "A" attached hereto and made a part hereof.

2. DESCRIPTION OF PROJECT.

2.1 Buildings. The Project contains two (2) principal buildings ("Buildings"), each of which contains a single Unit. Subject to being changed from time to time:

2.1.1 Unit 355 is a two-story structure, without basement, constructed principally of wood, concrete, and allied building material.

2.1.2 Unit 355A is a one-story structure, without basement, constructed principally of wood, concrete, and allied building material.

3. DESCRIPTION OF UNITS AND ADJACENT AREAS.

3.1 General. The Project consists of two (2) units (each is interchangeably called "Dwelling", "Apartment" or "Unit"). The Units are identified herein and on the Condominium Map as "Unit 355" and "Unit 355A". An Owner of a Unit has (a) the exclusive right to use the yard area (each referred to herein as a "Dwelling Area") and other areas, described in Paragraph 5 below as limited common elements appurtenant to his Unit; and (b) the right in common with other owners to use other areas described in Paragraph 4 below as common elements (exclusive of the limited common elements).

3.2 Unit Location and Access to Public Road. Unit 355 is located closest to Auwinala Road, and Unit 355A is located behind Unit 355. The location of each building is as shown on the Condominium Map. Each Unit has access over a shared driveway (Common Element) to Auwinala Road as shown on the Condominium Map.

3.3. Description of Units. One (1) freehold estate is hereby designated in each of the two (2) Units contained in the Project. Each Unit consists of (a) all footings, floors, foundations, perimeter walls and roofs of the Building and all other improvements from time to time located upon the Dwelling Area appurtenant to the

Units; (b) all of the space, fixtures, walls and other improvements located within such footings, floors, foundations, perimeter walls and roofs; (c) all exterior surfaces and finishes of such footings, floors, foundations, perimeter walls and roofs; (d) all decks, lanais, porches, steps, stairs or other improvements physically attached to any Building and for the exclusive use of the Owners and occupants of any Building; and (e) all portions of any carport or garage physically attached to, or contained in, any Building or located on the Dwelling Area appurtenant to the Unit and for the exclusive use of the owner and occupants of the Unit. The foregoing, as initially established or as hereafter changed pursuant to Paragraph 19.1 of this Declaration, is referred to herein as a Unit. A Unit shall not be deemed to include any pipes, wires, ducts, conduits, or other utility or service lines running through a Unit (or the Dwelling Area appurtenant to such Unit) which are utilized by or serve any other Unit.

3.3.1 Unit 355. Unit 355 is a two-story residential structure without a basement.

(a) First Floor. The first floor of Unit 355 contains four (4) bedrooms, five (5) bathrooms, kitchen, dining room, family room, living room, recreation room, covered lanai, and garage. The net living area of the first floor of Unit 355 is approximately 3,535 square feet, the area of the covered lanai is approximately 349 square feet, and the area of the garage is approximately 508 square feet.

(b) Second Floor. The second floor of Unit 355 contains one (1) bedroom, one (1) bathroom, den, and deck. The net living area of the second floor of Unit 355 is approximately 1,126 square feet, and the area of the deck is approximately 129 square feet.

3.3.2 Unit 355A. Unit 355A is a one-story residential structure without a basement. Unit 355A contains two (2) bedrooms, two (2) bathrooms, kitchen, dining room, living room, and covered lanai. The net living area of Unit 355A is approximately 1,233 square feet, and the area of the covered lanai is approximately 360 square feet.

3.4 Parking.

3.4.1 Unit 355. Unit 355 has three (3) appurtenant covered parking stalls located within the garage of Unit 355.

3.4.2 Unit 355A. Unit 355A has two (2) appurtenant open parking stalls located within the appurtenant Dwelling Area on the area marked "concrete" as shown on the Condominium Map.

3.5 Measurements and Conflicts. Should the descriptions and divisions set forth in this Declaration conflict with the depictions and divisions shown on the Condominium Map, the Condominium Map shall control. The Condominium Map, however, is intended to show only the layout, location, Unit numbers and dimensions of

the Units and elevations of the Buildings and is not intended and shall not be deemed to contain or make any other representation or warranty. The approximate net living floor areas set forth in this Declaration or on the Condominium Map are based on measurements taken from the interior surface of all perimeter walls.

4. COMMON ELEMENTS.

One freehold estate is hereby also designated in all the remaining portions of the Project, herein called "common elements", including specifically but not limited to:

4.1 The Land in fee simple described in Exhibit "A" attached hereto and made a part hereof;

4.2 The driveway access to the Units (being approximately 514 square feet) as shown on the Condominium Map;

4.3 All pipes, cables, wires, ducts, conduits, electrical equipment, or other utility or service lines, drainage ditches or appurtenant drainage structures and retaining walls (if any), which are located outside the Units and which are utilized for or serve more than one Unit;

4.4 All pipes, cables, wires, ducts, conduits, electrical equipment, or other utility or service lines running through a Unit which are utilized by or serve more than one Unit; and

4.5 Any and all other apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use.

5. LIMITED COMMON ELEMENTS.

5.1 Certain parts of the common elements, herein called the "limited common elements", are hereby designated and set aside for the exclusive use of certain of the Units, and each Unit shall have appurtenant thereto exclusive easements for the use of all such limited common elements set aside and reserved for such Unit's exclusive use. Unless otherwise specified, all costs of every kind pertaining to each limited common element, including, but not limited to, costs of landscaping, maintenance, repair, replacement and improvement, shall be borne by the Unit to which it is appurtenant.

5.2 The limited common elements so set aside and reserved for the exclusive use of Unit 355 are as follows:

(a) The site on which Unit 355 is located, consisting of the land beneath and immediately adjacent to Unit 355 (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, and fences and/or walls surrounding

said portion of land), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit 355. Said site is referred to in this Declaration as the Dwelling Area, and the Dwelling Area for Unit 355 contains an area of 10,565 square feet.

5.3 The limited common elements so set aside and reserved for the exclusive use of Unit 355A are as follows:

(a) The site on which Unit 355A is located, consisting of the land beneath and immediately adjacent to Unit 355A (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, and fences and/or walls surrounding said portion of land), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit 355A. Said site is referred to in this Declaration as the Dwelling Area, and the Dwelling Area for Unit 355A contains an area of 9,596 square feet.

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

6. PERCENTAGE OF UNDIVIDED INTEREST IN THE COMMON ELEMENTS.

The percentage of undivided interest in the common elements appurtenant to Unit 355 shall be 50%, and the percentage of undivided interest in the common elements appurtenant to Unit 355A shall be 50%. Each Unit shall have said percentage in all common profits of the Project and the same percentage for all other purposes, except as otherwise stated in the Declaration. No change or reallocation of the common interest appurtenant to any Unit may be made without the consent of the Unit Owners affected thereby and by holders of any first mortgage on each such Unit, if a consent is required by such mortgage.

7. EASEMENTS.

In addition to any easements designated as limited common elements, the Units shall have or be subject to the following easements and rights:

7.1 Utilities. Each Unit shall have appurtenant thereto perpetual, nonexclusive easements over, under and across the common elements (including limited common elements) designed for such purposes for ingress to, egress from, utility services for (including, but not limited to telephone, electricity, water, sewer and cable TV) and for the support, maintenance and repair of such Unit; and in the other common elements for their use according to their respective purposes. In the event that any limited common element pipes, ducts, cables, wires, conduits, or other utility lines servicing one Unit runs over, under or across the Dwelling Area appurtenant to the other Unit, and repairs are needed to such utility service lines within said Dwelling Area,

the owner of the Unit which utility service lines are being repaired shall: (a) cause a minimum of inconvenience and disturbance to the Owner of said Dwelling Area, and (b) repair any and all damage to said Dwelling Area caused by its entry and activities pursuant to this paragraph.

7.2 Encroachments. If any part of the common elements or a Unit now or hereafter encroaches upon another Unit or its appurtenant limited common elements or upon any portion of the common elements, a valid easement for such encroachment and maintenance thereof, so long as it continues, does and shall exist. If any building or other improvement shall be partially or totally destroyed and then rebuilt, or in the event of any shifting, settlement or movement of any building or other improvement, minor encroachments by any common element upon any Unit or limited common element, or by any Unit upon any other common element or limited common element due to such construction, shifting, settlement, or movement shall be permitted, and valid easements for such encroachments and the maintenance thereof, so long as they continue, shall exist. Notwithstanding the foregoing, no valid easement for encroachment shall be created in favor of the Owner of any Unit or in favor of any owners of the common elements if such encroachment occurred due to the negligence or misconduct of said Owner or owners.

7.3 Pipes, Wires, etc.. Each Unit Owner shall have an easement in common with the other owner(s) to use all pipes, wires, ducts, cables, conduits, utility lines, and other common elements located in another Unit, but serving his Unit. Each Unit shall be subject to an easement in favor of the Owner of the other Unit to use the pipes, ducts, cables, wires, conduits, utilities, and other common elements serving such other Unit and located in such Unit if such use does not materially interfere with the use by the owner of the Unit being served by such facilities.

7.4 Right to Enter Units. The Association of Unit Owners (the "Association") shall have the right, to be exercised by its Board of Directors (the "Board") or the Managing Agent, if any, to enter each Unit (including its limited common elements, if any), from time to time during reasonable hours as may be necessary for the operation of the Project and to effect repairs, improvements, replacements and maintenance, as deemed necessary by the Board, or at any time for making emergency repairs therein necessary to prevent damage to any Unit or common element.

7.5 Right to Grant Utility Easements. Declarant reserves the right to grant (including the right to convey, transfer, cancel, relocate, and otherwise deal with a grant) to any public or governmental authority rights-of-way and other easements, which are for the benefit of the Project or which do not materially interfere with the use nor materially impair the value of, any Unit, over, across, under, and through the common elements (including limited common elements) for lines and other transmission facilities and appurtenances for electricity, gas, telephone, water, sewer, drainage, and other public services and utilities, and rights to enter for the purpose of installing, repairing, altering, and removing such lines and facilities and of trimming any trees in the way thereof. The rights reserved to Declarant in this paragraph shall continue for so long as

Declarant owns any interest in any of the Units. Upon transfer of title to the last Unit in the Project to a party other than Declarant, the rights reserved to Declarant in this paragraph shall terminate as to Declarant and shall automatically vest in the Association.

8. PARTITION.

The common elements shall remain undivided, and no right shall exist to partition or divide any part thereof except as provided by the Act. In the event that the Project is judicially ordered to be sold under Chapter 514B-47 of the Act, then notwithstanding the provisions of the Act, the net proceeds of sale, together with the net proceeds from any insurance on the Project shall be divided among the Unit Owners in proportion to the fair market values of each Unit, provided that no payment hereunder shall be made to a Unit Owner until there has first been paid off out of the owner's share of such net proceeds all liens on the Owner's Unit. In the event the Unit Owners are unable to agree as to the fair market value of each of the Units, the value of each Unit shall be conclusively determined in accordance with Paragraph 25 below.

9. USE.

9.1 Principal Permitted Uses. Unit 355 and Unit 355A shall be occupied and used only for residential purposes by the respective owners thereof, their tenants, families, domestic servants and social guests and for any other purpose permitted by the land use ordinance for the City and County of Honolulu ("LUO") then in effect.

9.2 Rentals. The Owner of a Unit shall have the absolute right to lease the same, provided that such lease is in writing and for a term of not less than thirty (30) days, and is expressly made subject to the covenants and restrictions contained in this Declaration, the By-Laws, and the House Rules, if any.

9.3 Care and Disturbance. No Owner will suffer anything to be done or kept in a Unit or elsewhere in the Project which would jeopardize the soundness of the Project, or which will interfere with or unreasonably disturb the rights of other Unit owners, or which will increase the rate of the hazard insurance on the Project or the Units.

9.4 Use of Common Elements. The common elements shall be used only for the purposes for which they are designed and intended.

10. ASSOCIATION OF UNIT OWNERS.

Administration of the Project shall be vested in its Association of Unit Owners, herein called the "Association", consisting of all Apartment Owners in accordance with the By-Laws recorded herewith and incorporated by reference, as such may be amended from time to time. 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.

11. ADMINISTRATION OF THE PROJECT.

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 the provisions of the Act, this Declaration, the By-Laws, and the House Rules, if any, and the deed conveying to each owner his interest in his Unit. The Owner of each Unit shall be solely responsible for the maintenance, repair, replacement and restoration of his Unit and any appurtenant limited common elements, except as otherwise provided herein, and the Association shall be responsible for all other common elements of the Project, and specifically but without limitation shall:

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

11.2 Well and substantially repair, maintain, amend, and keep all common elements (exclusive of the limited common elements) of the Project with all necessary reparations and amendments whatsoever in good order and condition, and repair and make good all defects in the common elements (exclusive of the limited 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 30 days after the giving of such notice.

11.3 Not erect or place on the Project any building or structure, including fences and walls, nor make additions or structural alterations to or exterior changes of any common elements of the Project, except in accordance with plans and specifications, including detailed plot plan first approved in writing by a majority of Unit Owners or such larger number thereof as may be required by law, including all owners of Unit thereby directly affected, and complete any such improvements diligently after the commencement thereof.

11.4 Observe and perform all of the limitations, restrictions, covenants, and conditions to be observed and performed under this Declaration, the By-Laws, and the House Rules, if any.

12. SERVICE OF PROCESS.

Michael D. Styring, whose address is 355 Auwinala Road, Kailua, Hawaii 96734, is hereby designated as the person to receive service of process in all cases as provided in the Act until such time as the Board of Directors is elected by the vote of the

owners of the Project, at which time and thereafter, process may be served upon any member of said Board.

13. COMPLIANCE WITH DECLARATION AND BY-LAWS.

All Unit Owners, their tenants, families, servants, and guests, and any other persons who may in any manner use the Project, shall be bound by and comply strictly with the provisions of this Declaration, the By-Laws, any 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, if any, on behalf of the Association, or in a proper case, by an aggrieved Unit Owner.

14. ALTERATION AND TRANSFER OF INTERESTS.

The undivided percentage interest in the common elements, appurtenant to each Unit, shall have a permanent character, shall not be altered without the consent of all of the Unit Owners affected expressed in an amendment to this Declaration duly recorded, shall not be separated from the Unit to which they appertain, and shall be deemed to be conveyed, leased or encumbered with such Unit even though such undivided percentage, limited common elements or other easements are not expressly mentioned or described in the conveyance or other instrument. The right of each Unit Owner to transfer his respective Unit and appurtenant common interest in the Project is not subject to any right of first refusal or similar restriction in favor of the Association.

15. COMMON AND LIMITED COMMON COSTS AND EXPENSES.

15.1 All charges, costs, expenses, assessments, and taxes whatsoever incurred by the Association for or in connection with the administration and operation of the Project, including without limitation, for the maintenance, repair, replacement, and restoration of the common elements (including without limitation, all common utilities), any additions and alterations thereto, all liability whatsoever for loss or damage arising out of or in connection with the common elements, or any accident or fire on the common elements or any nuisance thereon, and all premiums for hazard and liability insurance herein required with respect to the Project, shall constitute common expenses of the Project for which the Unit owners shall be severally liable in accordance with their respective common interest; provided, however, (i) the premiums for commercial property insurance (if obtained by the Association) shall be allocated to each Unit according to the full replacement cost of such Unit; (ii) any costs and expenses incurred by the Association in connection with a limited common element ("limited common expenses") shall be charged to the Owner of the Unit to which the limited common element is appurtenant; and (iii) all common utility costs if separately submetered shall be charged to each Unit according to allocation made by such submeters.

15.2 In the event that a Unit Owner makes disproportionate use of any common utilities, then any other Unit Owner may request that the cost sharing for the common utilities be revised so that it be proportionate to the use by each Owner. In the event the Owners fail to agree on a revised method of cost sharing, an owner may refer the issue to binding arbitration under Paragraph 25 of this Declaration.

15.3 The Board shall from time to time assess (a) the common expenses against all the Units in the respective proportionate shares, and (b) the limited common expenses against the Unit or Units to which the limited common elements are appurtenant. The unpaid amount of any such assessments against a Unit shall constitute a lien against such Unit which may be foreclosed by the Board as provided by the Act and the By-Laws.

15.4 Any expense which cannot be separately identified or attributed to a specific Unit or its appurtenant limited common element shall be charged as a common expense.

16. INSURANCE.

16.1 Commercial Property Insurance. The Board, on behalf of the Association, shall at all times keep all buildings and improvements of the Project, including the common elements of the Project and, whether or not part of the common elements, all exterior and interior walls, floors, ceilings, cabinets, appliances, wall coverings, floor covering, permanently installed fixtures and built-in fixtures, as installed or their replacements, insured against loss, destruction, and damage by all perils of direct physical damage by a commercial property insurance policy or policies written on the Insurance Service Office (commonly referred to as "ISO") "Special Form" used in the State of Hawaii or its equivalent, with an amount of coverage equal to 100% of the replacement cost of such buildings and improvements of the Project and including the following endorsements: (1) replacement cost average, (2) agreed amount, and (3) building ordinance coverage insuring against contingent liability from the operation of federal, state, or county laws, statutes, ordinances, or regulations concerning the improvements or structures on or about the land, demolition of such improvements or structures and increased cost of construction of such improvements or structures, all such coverage being with such deductibles as the Board shall deem appropriate; and additionally, the Board will cause to be purchased a difference-in-conditions policy to include flood, earthquake, backup of sewers, broad collapse coverage, and building ordinance coverage with deductible amounts and a limit of liability determined to be prudent by the Board. If the Project is located in a special flood hazard area as delineated on flood maps issued by the Federal Emergency Management Agency, then the Association shall also maintain flood insurance. The flood insurance policy shall comply with the requirements of the National Flood Insurance Program and the Federal Insurance Administration. The Association shall purchase the insurance required under this Paragraph 16.1 from an insurance company authorized to do business in Hawaii and having a rating by Best's Insurance Reports of Class A:VI or better, in the name of the Association for the benefit of all owners and their mortgagees according to the loss

or damage to their respective Units and appurtenant common interest and payable in case of loss in excess of $10,000 to such bank or trust company authorized to do business in the State of Hawaii as the Board may designate, as trustee (the "Insurance Trustee"), for the custody and disposition as herein provided of all proceeds of such insurance, without prejudice to the right of each owner to insure his Unit for his own benefit.

Subject to the provisions of Paragraph 17.1 of this Declaration, in every case of such loss or damage, all insurance proceeds shall be used as soon as reasonably possible by the Association for rebuilding repairing or otherwise reinstating the Buildings in a good and substantial manner according to the original plans and elevations thereof or such modified plans' conforming to laws and ordinances then in effect as shall be first approved as herein provided, and the Association at its common expense shall make up any deficiency in such insurance proceeds.

All premiums on the policy or policies required under this Paragraph 16 shall be a common expense, borne equally by the Owners of the Units in accordance with each Unit's undivided interest in the common elements, unless the cost of such premium or premiums for each Unit and its limited common elements can be separately assessed. If such cost can be separately assessed, then the owner of each Unit shall bear the cost assessed to his Unit and its limited common elements and the owners of the Units shall bear the cost of such premium or premiums for the common elements in the proportion to the Owners' undivided interests in the common elements.

Every such policy of insurance shall, unless unobtainable:

(a) Provide that the liability of the insurer thereunder shall be primary and shall not be affected by, and that the insurer shall not claim any right of set-off, counterclaim, apportionment, proration or contribution by reason of, any other insurance obtained by or for any Owner;

(b) Contain no provision relieving the insurer from liability for loss occurring while the hazard to any building is increased, whether or not within the knowledge or control of the Board, or because of any breach of warranty or condition or any other act or neglect by the Board or any Owner or any other persons under either of them;

(c) Provide that such policy and the coverage thereunder may not be canceled, reduced or substantially modified (whether or not requested by the Board) except by the insurer giving at least thirty (30) days' prior written notice thereof to the Board, every mortgagee of a Unit, and any other person in interest who shall have requested such notice of the insurer;

(d) Contain a waiver by the insurer of any right of subrogation to any right of the Board or any of the owners against any of them or any other persons under them;

(e) Contain a provision waiving any right of the insurer to repair, rebuild or replace if a decision is made pursuant to this Declaration or the By-Laws not to reinstate, rebuild, or restore the damaged or destroyed improvements;

(f) Require the insurance carrier, at the inception of the policy and on each anniversary date thereof, to provide the Board with a written summary of the policy, including the type of policy, a description of the coverage and limits thereof, amount of annual premium, and renewal dates; and the summary shall be in layman's terms and the Board shall provide a copy thereof to each Owner;

(g) Contain a standard mortgage clause on ISO commercial property form which shall, unless unobtainable:

(i) Name the holder of any mortgage affecting any Unit whose name shall have been furnished to the Board and to the insurer and provide that any reference to a mortgagee in such policy shall mean and include all holders of mortgages of any Unit of the Project, in their respective order and preference, whether or not named therein;

(ii) Provide that such insurance as to the interest of any mortgagee shall not be invalidated by any act or neglect of the Board or the owners or any persons under them; and

(iii) Provide that, without affecting any protection afforded by such mortgage clause, any proceeds payable under such policy shall be payable to the Insurance Trustee for the owners and their mortgagees as their respective interests may appear.

16.2 Liability Insurance. The Board, on behalf of the Association, shall also effect and maintain at all times, to the extent reasonably available, commercial general liability insurance, including coverage for premisee/operations, independent contractors, contractual liability, personal injury, employees as additional insureds, broad form property damage, covering all owners with respect to the Project, in an insurance company authorized to do business in Hawaii, with combined single limits of liability for bodily injury and property damage per occurrence and general aggregate limits as the Board may from time to time establish with due regard to the prevailing prudent business practice in the State of Hawaii as reasonably adequate for the protection of the Association, the Board, all owners, the managing agent (if any) and employees of the Association, without prejudice to the right of any of the owners to

maintain additional liability insurance for their respective Units. All premiums on the policy or policies required under this Paragraph 16.2 shall be borne by the Owners of the Units in proportion to their undivided interests in the common elements. Each such policy, unless unobtainable, shall:

(a) Contain no provision relieving the insurer from liability because of lose occurring while the hazard is increased in any building, whether within the control or knowledge of the Board, or because of any breach of warranty or condition caused by any owner or by any act or neglect of the Owner or tenant of a Unit;

(b) Provide that the policy and its coverage may not be canceled, reduced or substantially modified (whether or not requested by the Board) except by the insurer giving at least thirty (30) days' prior written notice thereof to the Board, all owners and their mortgagees and every other person in interest who shall have requested such notice of the insurer;

(c) Contain a waiver by the insurer of any subrogation to any right of the Board, the managing agent (if any) or any Owner against any of them or any other person under their control;

(d) Contain a "severability of interest" clause precluding the insurer from denying the claim of an owner because of negligent acts of the Association or other Owners; and

(e) Require the insurance carrier, at the inception of the policy and on each anniversary date thereof, to provide the Board with a written summary of the policy, including the type of policy, a description of the coverage and limits thereof, amount of annual premium, and renewal dates; and the summary shall be in layman's terms and the Board shall provide a copy thereof to each Owner.

16.3 Liability Insurance for Members of the Board and Officers of the Association. The Board, on behalf of the Association at its common expense, may effect and maintain liability insurance covering members of the Board and officers of the Association with minimum coverage in such amounts as shall be determined by the Board. Any such insurance policy shall require the insurance carrier, at the inception of the policy and on each anniversary date thereof, to provide the Board with a written summary of the policy, including the type of policy, a description of the coverage and limits thereof, amount of annual premium, and renewal dates; and the summary shall be in layman's terms and the Board shall provide a copy thereof to each Unit Owner.

16.4 Review of Insurance Program. The Board shall review not less frequently than annually the adequacy of its entire insurance program and shall report in writing its conclusions and action taken on such review to the owner of each Unit and

to the holder of any mortgage on any Unit who shall have requested a copy of such report. At the request of any mortgagee of any interest in any Unit, the Board shall furnish to such mortgagee a copy of the property and liability policies referred to in this Paragraph 16.

16.5 Individual Insurance. The Association may, at its option, elect to exempt the Project from the provisions of Paragraphs 16.1 and 16.2 and require each Unit Owner to provide for his own property and liability insurance; provided, however, that (i) any such decision to require Unit Owners to insure their own Units must be by unanimous agreement of all the Unit Owners, (ii) each individual property insurance policy must provide at least the minimum coverage required by the Act, and (iii) each individual property and liability policy must name the Association as an additional insured. Premiums on individual policies obtained pursuant to this Paragraph 16.5 shall not be a common expense, but shall be the individual obligation of the Owner of the Unit covered by such policies. Each Unit Owner shall annually, or on demand of the Board, provide the Board with evidence of each policy obtained pursuant to this Paragraph 16.5. In the event that the Association elects to require individual insurance policies and any Owner neglects to obtain the required coverage, the Board, on behalf of the Association, shall obtain a policy or policies covering the owner's Unit and shall charge all costs and expenses arising in connection therewith to such owner as a special assessment.

16.6 Waivers of Subrogation. To the extent that any loss, damage, or destruction to any Building is covered by insurance procured by the Board, the Board shall have no claim or cause of action for such lose, damage or destruction against any Owner. To the extent that any loss, damage or destruction to the property of any owner is covered by insurance procured by such owner, such Owner shall have no claim or cause of action for such loss, damage or destruction against the Board, the managing agent (if any) any resident manager, any other Owner or the Association. All policies of insurance referred to in this Paragraph 16 shall contain appropriate waivers of subrogation by the insurers.

16.7 Substitute Coverage. Any insurance coverage specified in this Paragraph 16 shall be subject to availability with responsible insurance companies authorized to do business in the State of Hawaii. Where such coverage is not available, or is not available at a reasonable cost, then the Board shall substitute such other insurance coverage as is acceptable to institutional lenders for apartments in projects similar in construction, location and use.

17. DAMAGE, DESTRUCTION OR CONDEMNATION OF ONE UNIT OR THE LIMITED COMMON ELEMENTS APPURTENANT THERETO.

17.1 Damage and Destruction. If a Unit or the limited common elements appurtenant thereto shall be damaged or destroyed, the determination of whether or not to reconstruct or repair the same shall be made as follows:

(a) The Unit which shall be so damaged or destroyed shall be reconstructed or repaired by the owner of such Unit unless said Owner, with the approval of the holder of any mortgage affecting the Unit, decides within sixty (60) days after the insurance loss has been finally adjudicated against such reconstruction or repair, or if this Declaration is terminated by vote of all of the Unit Owners pursuant to the provisions of Section 514B-47 of the Act.

(b) Such reconstructing or repair shall be made promptly and diligently by the Owner of the Unit affected provided that said Owner will be provided reasonable period for adjusting any insurance loss, preparations of building plans, hiring of contractors, architects, and other professionals and arranging of financing, and provided further that all such reconstruction and repair shall be made in accordance with the conditions and standards set forth in Paragraph 19.1 of the Declaration, as if such conditions and standards applied to any construction work on the Unit.

(c) If the Owner of a damaged or destroyed Unit elects not to repair or reconstruct the Unit in accordance with the provisions of this Declaration, the Owner shall be responsible at his own cost and expense to remove all remains of the Unit so damaged or destroyed and to restore the site thereof to good orderly condition and even grade.

(d) Any insurance proceeds payable with respect to the Unit damaged or destroyed shall be paid to the Owner of such Unit and the holder of any mortgage affecting the Unit, as their interests may appear.

17.2 Condemnation of Unit or Limited Common Elements. If a Unit or the limited common elements appurtenant thereto are taken under the power of eminent domain or sold under threat of that power, all compensation and damages payable or to be paid by reason of such taking shall be payable to and be the sole property of the Owner of such Unit.

18. DAMAGE, DESTRUCTION OR CONDEMNATION OF COMMON ELEMENTS.

18.1 Damage or Destruction of Common Elements. If any common elements (other than a Unit's appurtenant limited common elements) thereon shall be damaged or destroyed, the following provisions shall apply:

(a) The Association shall promptly reconstruct and repair such improvements or what remains thereof unless the Declaration is terminated by vote of all of the Unit Owners pursuant to the provisions of Section 514B-47 of the Act, with the consent of the holders of the first mortgages covering all of the Units.

(b) Restoration of the common elements shall be completed diligently by the Association as its common expense.

(c) Unless restoration of the common elements is undertaken within a reasonable time after such casualty, the Association, at its common expense, shall remove all remains of improvements so damaged or destroyed and restore the site thereof to good orderly condition and even grade.

(d) Any insurance proceeds or condemnation proceeds payable with respect to the common elements (other than appurtenant limited common elements) and not utilized for rebuilding and restoration shall be paid or credited to the Unit Owners in proportion to the common interest appurtenant to their respective Units.

18.2 Condemnation of Common Elements. If the common elements or portion thereof (other limited common elements) are taken under the power of eminent domain or sold under threat of that power, all compensation and damages payable or to be paid by reason of such taking shall be payable to and be divided among all Unit Owners in proportion to the common interest appurtenant to their respective Units.

19. ALTERATION OF PROJECT.

19.1 Changes to Units. Notwithstanding anything to the contrary contained in this Declaration, a Unit Owner, with the consent by the holder of any mortgage affecting the Owner's Unit (if required by such mortgage), shall have the right at his sole option at any time and from time to time without the consent of any other person, to improve, renovate, remodel, make additions to, enlarge, remove, replace or restore the improvements to or in his Unit or portions thereof or to make or build improvements upon the Dwelling Area appurtenant to the Unit (collectively, the foregoing are referred to "changes") subject to the following conditions:

(i) All building plans for any such changes shall be prepared by a Hawaii licensed architect or professional engineer and conform with applicable City and County building, zoning laws and ordinances (including, but not limited to setback requirements) and applicable State law, and all construction changes shall be undertaken by a building contractor licensed in the State of Hawaii. The dashed line on the Condominium Map delineating the respective Dwelling Areas shall be treated as property boundary lines for the purpose of determining applicable setback requirements.

(ii) All changes to a Unit must be made within the Dwelling Area which is appurtenant to the Unit; provided, however, that no structure as defined under the LUO shall be constructed or placed within five (5) feet of any boundary line separating two Dwelling Areas.

(iii) No change to a Unit will be made if the effect of such change would be to exceed the Unit's proportionate share of the allowable floor area or building area coverage for the Land, or number of dwelling units, as defined by the LUO in effect when the change is to be made; provided, however, that each Unit shall be

permitted to have only one dwelling unit as defined under the LUO. The "proportionate share" for each Unit shall be the same as its common interest in the Land.

(iv) All such changes shall be at the expense of the Owner making the change and shall be expeditiously made and in a manner that will not unreasonably interfere with the other owner's use of his Unit or its appurtenant Dwelling Area.

(v) During the entire course of such construction, the Owner making such change will cause to be maintained at his expense builder's all-risk insurance in an amount not less than the estimated cost of construction. The Association shall be named as an additional insured and, upon the request of the Association, evidence of such insurance shall be deposited with the Association or its Managing Agent, if any;

(vi) The Owner of the changed Unit shall have the right to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for services to the Unit affected by such change for electricity, sewer, and other utilities and services and when applicable, to add, delete, relocate, realign, designate, and grant easement and rights-of-way over, under, and on the common elements as necessary or desirable in connection therewith; provided that the same shall not cause any interruption in the service of such utilities to any other part of the Project or otherwise materially interfere with their use by the other Owner;

(vii) If the consent to the change or joinder of another Owner is required by the Act, then each owner hereby consents in advance to such change.

(viii) Each and every conveyance, lease and mortgage or other lien made or created on any Unit and all common interests and other appurtenances thereto shall be subject to the provisions of this paragraph and any lease of a Dwelling Area shall reserve to each owner the rights set forth in this paragraph.

19.2 Changes to Other Than Units. Except as set forth in Paragraph 19.1, changes to the Project or any building thereof or construction of any additional building or structural alteration or addition to any building, different in any material respect from the Condominium Map of the Project, shall be undertaken by the Association only pursuant to an amendment of this Declaration, duly executed by or pursuant to the affirmative vote or written consent of sixty-seven percent (67%) of the Unit Owners, and accompanied by the written consent of the holders of all liens affecting any of the Units, and in accordance with complete plans and specifications therefor first approved in writing by the Board, and promptly upon completion of such restoration, replacement or construction, the Association shall duly file such amendment in the Recording Office, together with a complete set of the floor plans of the Project as so altered, certified as built by a licensed architect, engineer, or surveyor.

19.3 Exemptions for Persons with Disabilities. Notwithstanding anything

to the contrary contained in this Declaration, the By-Laws, or the House Rules, handicapped occupants of the Project shall: (a) be permitted to make reasonable modifications to their Units, the limited common elements appurtenant thereto, and/or the common elements, at their own expense (including without limitation the cost of obtaining any bonds required by this Declaration, the By-Laws or the Act), if such modifications are necessary to enable them to use and enjoy their Units, the limited common elements, and/or the common elements, as the case may be; and (b) be allowed reasonable exemptions from this Declaration, the By-Laws, and the House Rules, when necessary to enable them to use and enjoy their Units, the limited common elements appurtenant thereto, and/or the common elements, provided that any handicapped occupant desiring to make such modifications or desiring such an exemption shall so request the Board of Directors, in writing. That request shall set forth, with specificity and in detail, the nature of the request and the reason that the requesting party needs to make such modification or to be granted such an exemption. The Board of Directors shall not unreasonably withhold or delay its consent to such request, and any such request shall be deemed to be granted if not denied in writing, within forty-five (45) days of the Board of Directors' receipt thereof or of any additional information reasonably required by the Board of Directions in order to consider such a request, whichever shall last occur.

20. AMENDMENT OF DECLARATION.

20.1 Amendments Generally. Except as otherwise expressly provided herein or in the Act, this Declaration and the Condominium Map may be amended only by the affirmative vote or written consent of sixty-seven percent (67%) of the Unit Owners, evidenced by an instrument setting forth such amendment duly executed by the authorized officers of the Association, which amendment shall be effective upon recordation in the Recording Office; provided, however, that notwithstanding the foregoing provision, at any time prior to the first recording of a conveyance or transfer (other than for security) of a Unit and its appurtenances to a party not a signatory hereto, the Declarant may amend this Declaration (including all exhibits), the Condominium Map, and the By-Laws in any manner, without the consent or joinder of any Unit purchaser or any other party. Notwithstanding the lease, sale or conveyance of any of the Units, Declarant may amend this Declaration (and when applicable, any exhibits to this Declaration and the Condominium Map) to file the "as-built" verified statement required by Section 514B-34 of the Act (i) so long as such statement is merely a verified statement of a licensed architect, engineer, or surveyor certifying that the final plans thereto filed fully and accurately depict the layout, location, Unit numbers, and the dimensions of the Units as built, or (ii) so long as the plans filed therewith involve only minor changes to the layout, location, or dimensions of the Units as built or any change in the Unit number.

20.2 Amendments Required by Law, Lenders, Title Insurers, Etc. Any other provision of this Declaration notwithstanding, for so long as the Declarant retains any interest in a Unit in the Project, the Declarant shall have the right (but not the obligation) to amend this Declaration and the By-Laws (and the Condominium Map, if

appropriate) without the consent or joinder of any Unit Owner, lienholder, or other person or entity, for the purpose of meeting any requirement imposed by (i) any applicable law, (ii) the Real Estate Commission of the State of Hawaii, (iii) any title insurance company issuing a title insurance policy on the Project or any of the Units, (iv) any institutional lender lending funds on the security of the Project or any of the Units, or (v) any other governmental or quasi-governmental agency including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the U.S. Department of Housing and Urban Development, or the Veterans Administration; provided, however, that no amendment which would change the common interest appurtenant to a Unit or substantially change the design, location, or size of a Unit shall be made without the consent of all persons having an interest in such Unit. Each and every party acquiring an interest in the Project, by such acquisition, consents to the amendments described in this Paragraph 20.2 and agrees to execute and deliver such documents and instruments and do such other things as may be necessary or convenient to effect the same, and appoints Declarant and its assigns as his or her attorney-in-fact with full power of substitution to execute and deliver such documents and instruments and to do such things on his or her behalf, which grant of such power, being coupled with an interest, is irrevocable for the duration of such reserved rights, and shall not be affected by the disability of such party or parties.

20.3 Mortgagee Approval. Any other provision of this Declaration notwithstanding, the approval of eligible holders of first mortgages (as defined below) on Units to which at least fifty-one percent (51%) of the votes of Units subject to mortgages held by such eligible holders are allocated shall be required to materially amend any provision herein, or to add any material provisions hereto, which establish, provide for, govern, or regulate any of the following: (a) voting; (b) assessments, assessment liens or subordination of such liens; (c) reserves for maintenance, repair and replacement of the common elements; (d) insurance or fidelity bonds; (e) right to use of the common elements; (f) responsibility for maintenance and repair of the several portions of the Project; (g) expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project; (h) boundaries of any Unit (except where the amendment merely reflects that a Unit has been constructed according to alternate plans shown on the Condominium Map); (i) the interests in the common elements or limited common elements; (j) convertibility of Units into common elements or of common elements into Units; (k) leasing of Units; (1) imposition of any right of first refusal or similar restriction on the right of a Unit Owner to sell, transfer, or otherwise convey his Unit; (m) establishment of self-management of the Project by the Association where professional management has been required by any agency or corporation which has an interest or prospective interest in the Project; and (n) any provision that expressly benefits holders, insurers, or guarantors of first mortgages on Units in the Project. To qualify as an "eligible holder of a first mortgage", a holder, insurer or guarantor of a first mortgage on a Unit in the Project must have made a written request to the Association for timely written notice of proposed amendments to the condominium instruments. The request must state the name and address of the holder, insurer or guarantor and the number of the Unit covered by the mortgage. In the event that an eligible holder of a first mortgage fails to appear at a

meeting of the Association at which amendments of a material nature to this Declaration are proposed and considered, or fails to file a written response with the Association within thirty (30) days after it receives proper notice of the proposed amendment, delivered by certified or registered mail, with a "return receipt" requested, then and in any such event such amendments shall conclusively be deemed approved by such eligible holder of a first mortgage.

In addition to the foregoing, no amendment to this Declaration which would allow any action to terminate the condominium property regime created hereby for reasons other than substantial destruction or condemnation shall be made without the prior written approval of all of the eligible holders of first mortgages.

20.4 Amendments for Changes to Units. Notwithstanding the foregoing, an Owner shall have the right without the consent or joinder of any other person to amend this Declaration and the Condominium Map to reflect the changes made to his Unit in accordance with Paragraph 19.1 or Paragraph 19.2 of this Declaration. Promptly upon completion of such changes, the Unit Owner shall duly record with the Recording Office an amendment to this Declaration and to the Condominium Map, together with a complete set of the floor plans of the Project as so altered, certified as built by a licensed architect, engineer, or surveyor. All existing Unit Owners and all future Unit Owners and their mortgagees, by accepting an interest in a Unit, shall be deemed to have given each Unit Owner a Power of Attorney to execute an amendment to the Declaration solely for the purpose of describing the changes to his respective Unit on the Declaration so that each Unit Owner shall hereafter have a Power of Attorney from all the other Unit Owners to execute such Amendment to the Declaration. This Power of Attorney shall be deemed coupled with each Owner's interest in his Unit (including its appurtenant common interest) and shall be irrevocable.

20.5 Restatement. Any other provision of this Declaration notwithstanding, the Board, upon resolution duly adopted, shall have the authority as set forth in the Act to restate this Declaration from time to time to set forth any prior amendments hereto, or to amend this Declaration as required to conform with the provisions of the Act or any other statute, ordinance, rule, or regulation enacted by any governmental authority.

21. INVALIDITY.

The invalidity of any provision of this Declaration shall not be deemed to impair or affect in any manner the validity, enforceability or effect of the remainder of this Declaration, and in such event, all of the other provisions of this Declaration shall continue in full force and effect as if such provision had never been included herein.

22. DEFINITIONS AND INTERPRETATION.

22.1 The following terms shall have the meanings set forth below:

"Act" means Chapter 514B, Hawaii Revised Statutes, as amended.

"Association" means the Association of Unit Owners of the Project.

"Board of Directors" or "Board" means the Board of Directors of the Association.

"By-Laws" means the By-Laws of the Association of Unit Owners of the Project recorded in the Recording Office concurrently with this Declaration, as the same may be amended and/or restated from time to time.

"Declaration" means this Declaration of Condominium Property Regime of the Project, as the same may be amended from time to time.

"Dwelling", "Unit" and "Apartment" are used interchangeably and are intended to have identical meanings.

"House Rules" means the rules and regulations (if any) adopted pursuant to the By-Laws, as the same may be amended from time to time, governing the details of the operation and use of the Project, and certain details regarding the use of the Units.

"LUO" means the Land Use ordinance of the City and County of Honolulu, as it may be amended from time to time.

"Majority" or "majority of Unit Owners" means the Owners of Units to which are appurtenant more than fifty percent (50%) of the common interests of the Project, and any specified percentage of the Unit Owners in this Declaration or in the Bylaws means the Owners of Units to which are appurtenant such percentage of the common interests.

"Mortgagee of a Unit" or "Unit mortgagee" means the holder of a mortgage encumbering the fee title to, or any recorded leasehold interest, in a Unit.

"Unit Owner" or "Owner" means any person or entity owning, or the persons or entities owning jointly or in common, a Unit and the common interest appertaining thereto, provided that to such extent and for such purposes, including the exercise of voting rights, as shall be provided by a recorded lease demising a Unit for a term of more than one (1) year, a lessee of a Unit shall be deemed to be the Owner thereof. The purchaser of a Unit pursuant to an agreement of sale recorded in the Recording Office shall have all rights of a Unit Owner, including the right to vote, provided that the seller under such agreement of sale may retain the right to vote on matters substantially affecting his security interest in the Unit, including, but not limited to, the right to vote on matters listed in Section 514B-124 of the Act.

"Record", "recorded" or "recordation" means to record or file or to be recorded or filed in the Recording Office.

"Recording Office" means the Bureau of Conveyances of the State of Hawaii.

22.2 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 or context thereof.

23. BINDING EFFECT AND COUNTERPARTS.

23.1 All of the covenants, agreements, and conditions herein contained shall extend to and be binding upon the successors, personal representatives, and assigns of the respective parties hereto.

23.2 The parties hereto agree that this instrument may be executed in counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one and the same agreement, binding all of the parties hereto, notwithstanding all of the parties are not signatory to the original or the same counterparts. For all purposes, including, without limitation, recordation, filing and delivery of this instrument, duplicate unexecuted and unacknowledged pages of the counterparts may be discarded and the remaining pages assembled as one document.

24. CONFORMITY OF PROJECT.

24.1 The Declarant states that the Project, which contains one or more "existing structures" (as referred to in Section 514B-32(a)(13) of the Act), is in compliance with all zoning and building ordinances and codes, and all other permitting requirements referred to in Section 514B-5 of the Act, applicable to the Project.

24.2 The Declarant states that (a) no variance has been granted from any ordinance or code to achieve the above referenced compliance; and (b) no adoption or amendment of any ordinance or code has resulted in the Project containing any legal non-conforming uses or structures.

25. ARBITRATION. At the request of any Unit Owner, any dispute between one or more of the Owners or between an Owner and the Association, the Board, or the managing agent (if any) with respect to the interpretation, application, or enforcement of the Act, the Declaration, the By-Laws, or the House Rules, if any, shall be submitted to arbitration pursuant to Part VI of the Act, as the same may be amended from time to time, or any successor thereto, provided that if Part VI of the Act shall at any time be repealed and no successor thereto shall be enacted, such dispute shall be submitted to arbitration pursuant to Chapter 658A, Hawaii Revised Statutes, as the same shall be amended from time to time. The findings of the arbitrator shall be binding and

conclusive upon the parties thereto. Except as otherwise provided by law, the prevailing party in such arbitration, as designated by the arbitrator, shall be entitled to recover all of such party's costs, expenses, and reasonable attorneys, fees incurred therein. Notwithstanding the foregoing, a Unit Owner who pays the 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 Unit Owner and the Association are unable to resolve the dispute through mediation, either party may file for arbitration under Part VI of the Act; provided that a Unit 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 Unit 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 Unit Owner pays all Association assessments within thirty (30) days of the date of suspension, the Unit Owner may ask the arbitrator to recommence the arbitration proceedings. If the Unit 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 Unit Owner shall be entitled to a refund of any amounts paid to the Association which are not owed.

(The remainder of this page has intentionally been left blank)

IN WITNESS WHEREOF, Declarant has executed these presents the day and year first above written.

MICHAEL D. STYRING

KAREN M. STYRING

"Declarant"

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

On this 10th day of August, 20 06, before me personally appeared MICHAEL D. STYRING, to me personally known, who being by me duly sworn or affirmed, did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

Gloria J. Ah Nee

LS

Print Name: GLORIA J. AH NEE
Notary Public, State of Hawaii

My commission expires: 3-26-07

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

On this 10th day of August, 2006, before me personally appeared KAREN M. STYRING, to me personally known, who being by me duly sworn or affirmed, did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

LS

Gloria J. Ah Nee
Print
Name: GLORIA J. AH NEE
Notary Public, State of Hawaii

My commission expires: 3-26-07

EXHIBIT "A"

All of that certain parcel of land (being part of the land(s) described in and covered by Apana 45 of Land Commission Award 7713, Royal Patent 4475 to V. Kamamalu) situate, lying and being at Kaelepulu, Kailua, District of Koolaupoko, City and County of Honolulu, State of Hawaii, described as follows:

LOT 7, Block 8, of the "KAELEPULU SUBDIVISION EXTENSION", as delineated on Bishop Estate Map 3652-B filed in the Office of the Trustees of the Estate of Bernice Pauahi Bishop, deceased, and thus bounded and described:

Beginning at an iron pipe at the northeast corner of this lot, the northwest corner of Lot 8, and on the southerly side of Auwinala Road, the coordinates of said point of beginning referred to Government Survey Triangulation Station "Mokapu", being 23,160.30 feet south and 380.83 feet west, and running thence by azimuths measured clockwise from true South:

1.	12°	02'	30"	269.67	feet along Lot 8, Block 8, to an iron pin;
2.	117°	43'	30"	83.09	feet along Lot 16, Unit 5-B-3, File Plan 919, to an iron pin;
3.	192°	02'	30"	247.21	feet along Lot 6, Block 8, to an iron pin;
4.	282°	02'	30"	80.00	feet along the southerly side of Auwinala Road to the point of beginning and containing an area of 20,675 square feet, more or less.

BEING the same premises conveyed to Declarant by that certain Warranty Deed dated May 15, 2002, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2002-087524.

SUBJECT, HOWEVER, to:

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

2. Setback for building purposes contained in that certain Deed dated November 16, 1988, recorded in said Bureau of Conveyances in Liber 22680, Page 731.

3. Covenants, conditions and restrictions (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as set forth in that certain Declaration of Protective Provisions dated July 21, 1978, recorded in said Bureau of Conveyances in Liber 13037, Page 651.

4. Encroachment Agreement and License dated February 8, 2000, recorded in said Bureau of Conveyances as Document No. 2000-023574.

5. Encroachment Agreement and License (Tile Wall) dated May 15, 2002, recorded in said Bureau of Conveyances as Document No. 2002-087523.

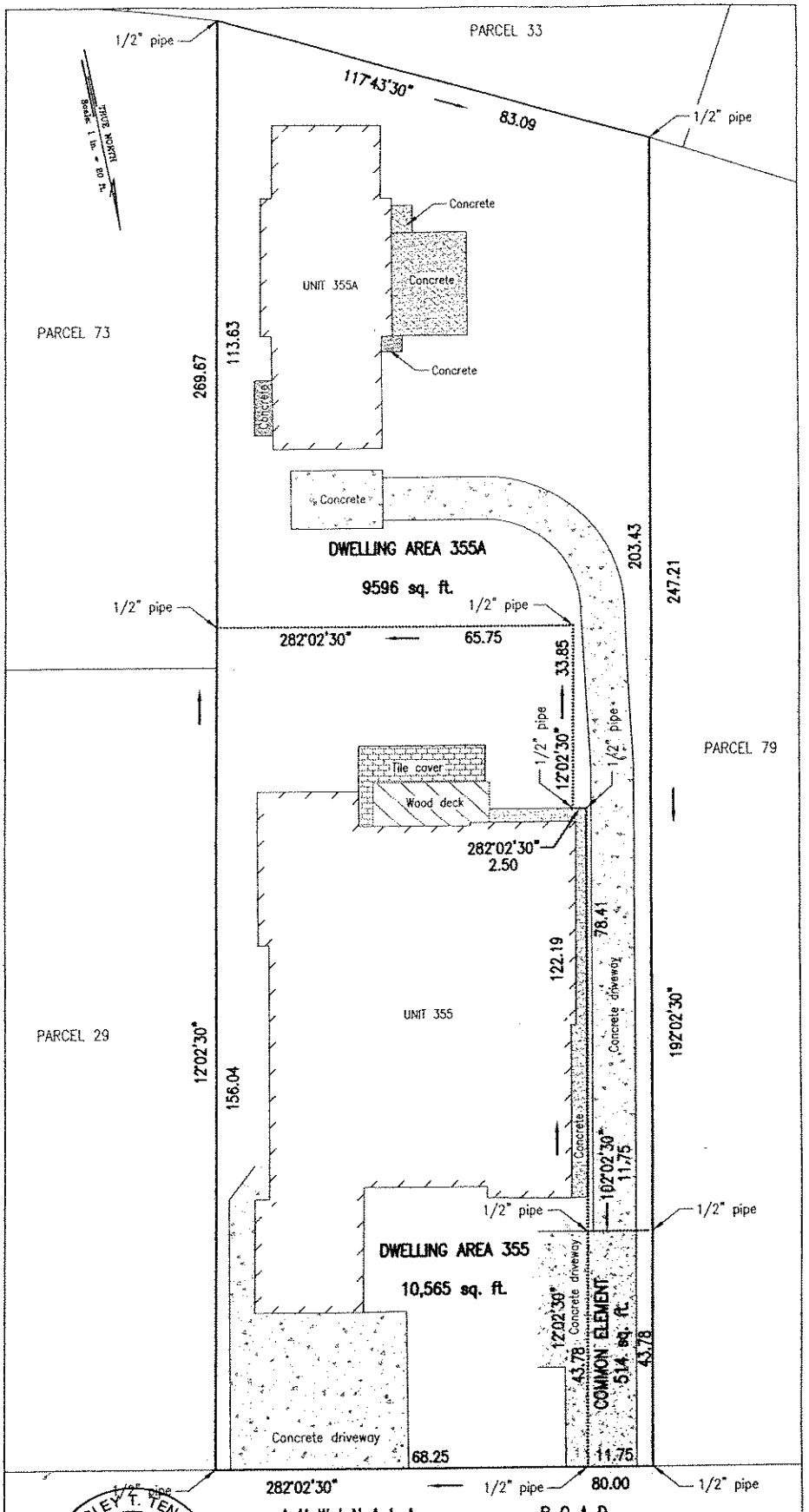
6. Mortgage dated May 9, 2002 in favor of American Savings Bank, F.S.B., a federal savings bank, recorded in said Bureau of Conveyances as Document No. 2002-087525.

7. Easement(s) as set forth in a document in favor of Hawaiian Electric Company, Inc., a Hawaii corporation, and Verizon Hawaii Inc., a Hawaii corporation, now known as Hawaiian Telcom Inc., recorded January 21, 2003 in said Bureau of Conveyances as Document No. 2003-010178.

8. Mortgage dated October 29, 2004 in favor of American Savings Bank, F.S.B., a federal savings bank, recorded in said Bureau of Conveyances as Document No. 2004-223505.

NOTE: There is hereby omitted from any covenants, conditions and reservations contained herein any covenants or restrictions, if any, based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law.

END OF EXHIBIT "A"



WESLEY T. TENGAN
LICENSED PROFESSIONAL LAND SURVEYOR
No. 6958
HAWAII, U.S.A.

CONDOMINIUM MAP

"355 & 355A AUWINALA ROAD"

Kailua, Koolaupoko, Oahu, Hawaii
Date: July 10, 2006
Tax Map Key: 4-2-20: 80
Owner: Styring

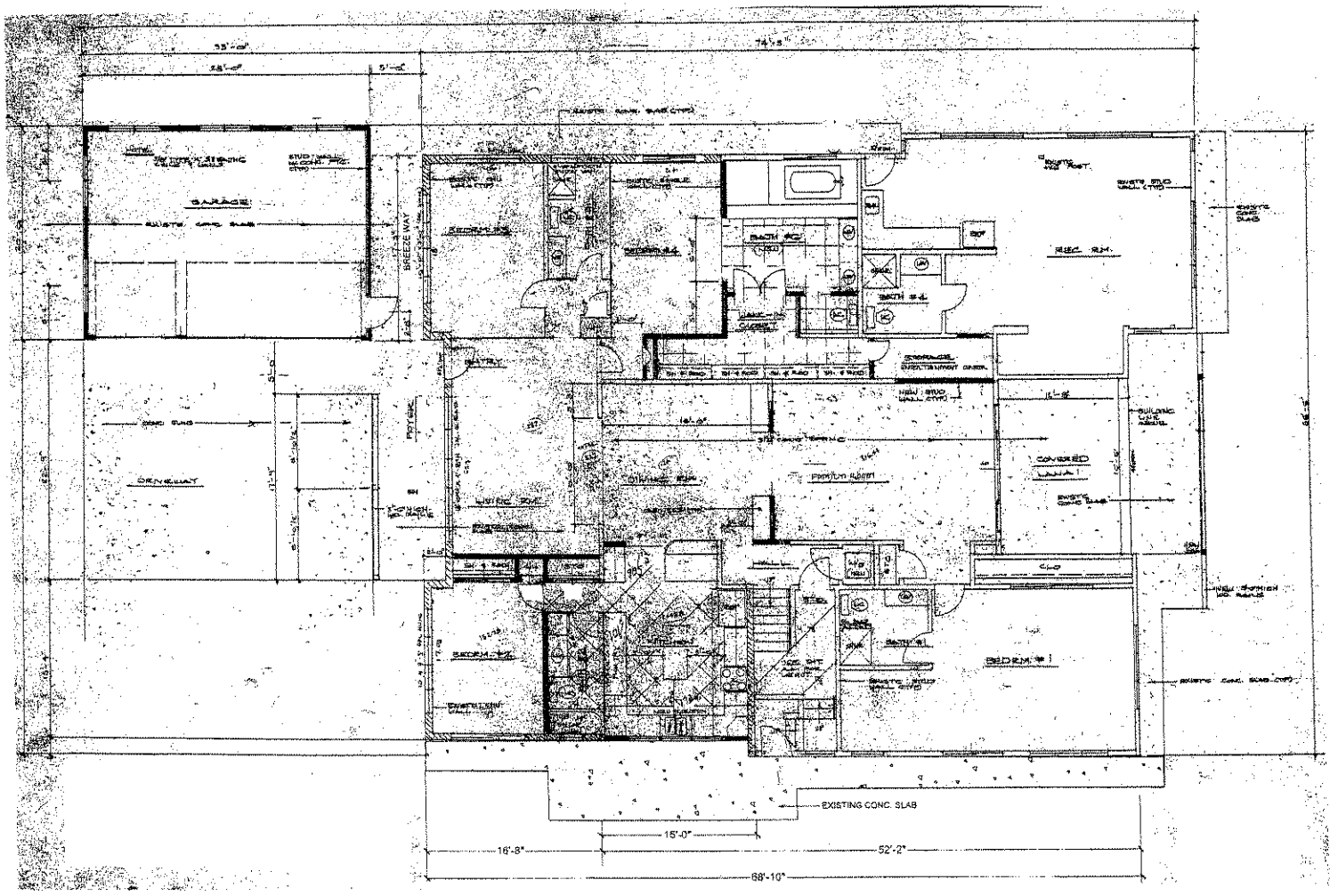
This work was prepared by me or under my supervision

WESLEY T. TENGAN
LICENSED PROFESSIONAL LAND SURVEYOR
Certificate Number 6958

Note: This project does not involve the sale of individual subdivided lots. The dotted lines on the condominium map are for illustration purposes only. They represent either a limited common element or common element.

SHEET # 1

EXHIBIT "N"



AREA CALCULATIONS FOR "355"

FIRST FLOOR LIVING AREA :	3535 SQ. FT.
SECOND FLOOR LIVING AREA :	1126 SQ. FT.
GARAGE AREA :	508 SQ. FT.
COVERED LANAI AREA :	349 SQ. FT.
BREEZE WAY AREA :	100 SQ. FT.
DECK AREA :	129 SQ. FT.

FIRST FLOORPLAN FOR "355"

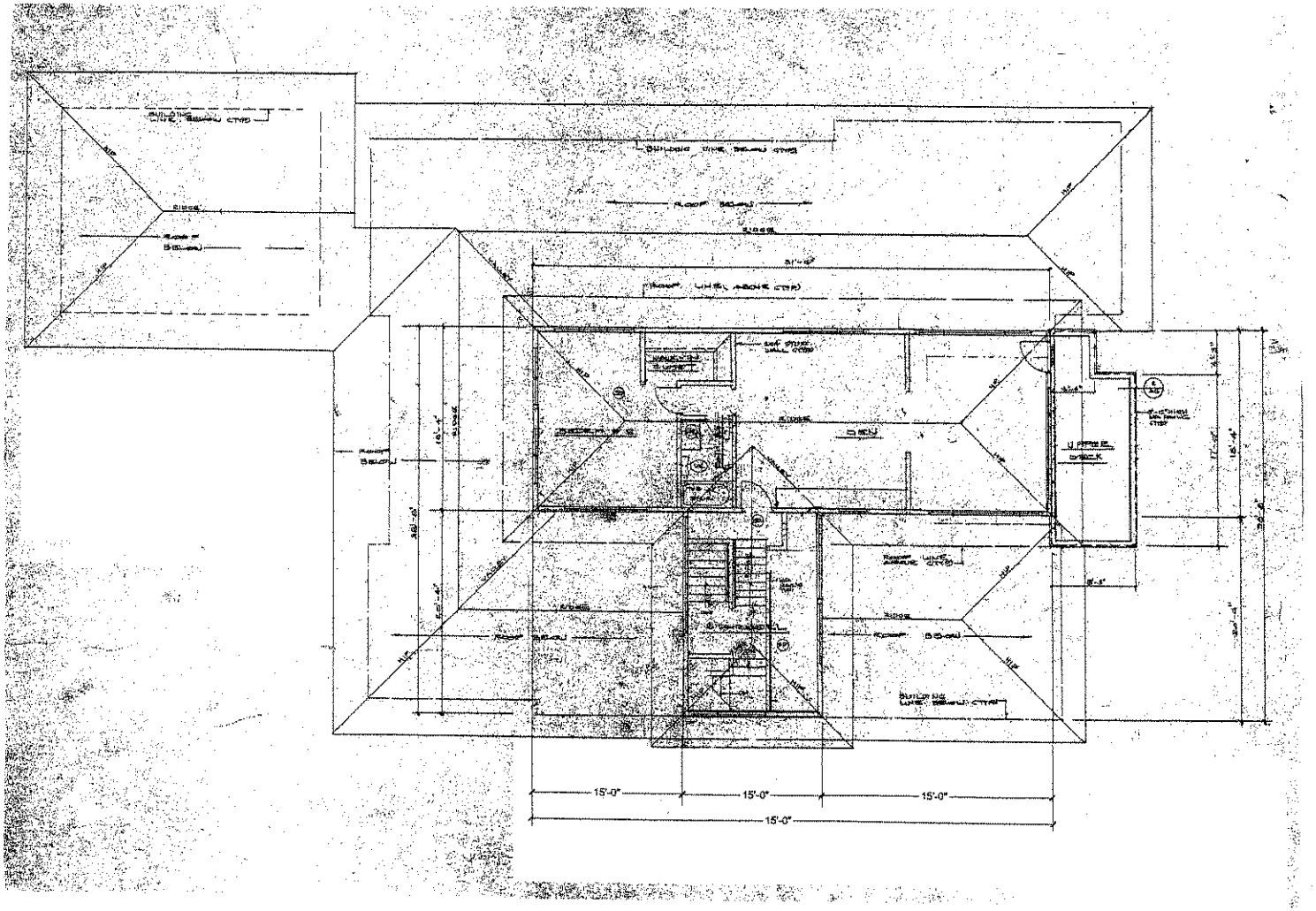
SCALE: 3/32" = 1'-0"

CONDOMINIUM PROJECT REGIME FOR:

"355" & 355 A " AUWINALA ROAD

T.M.K.#: 4 - 2 - 020 : 080

JOB #
06-135
SHEET #
2



SECOND FLOORPLAN FOR "355"

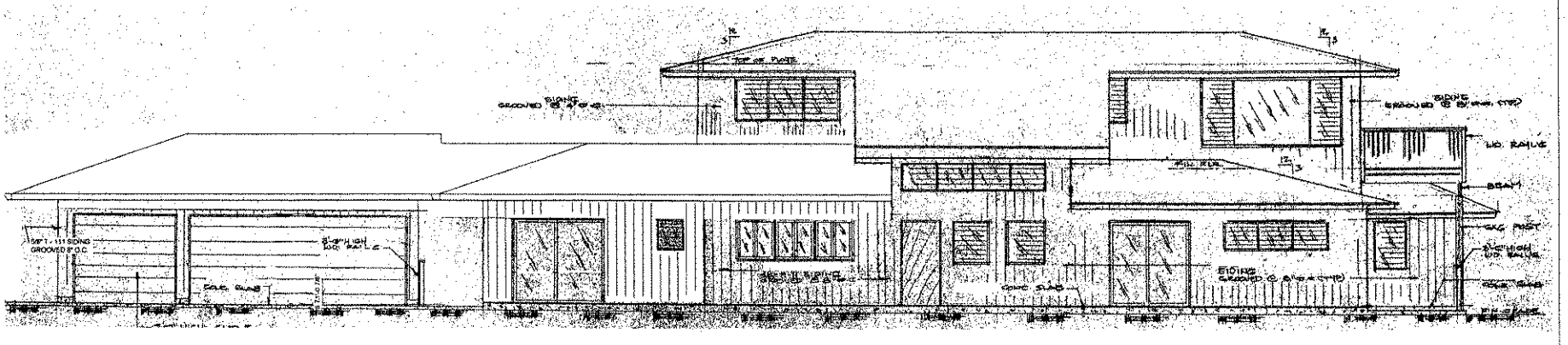
SCALE: 3/32" = 1'-0"

CONDOMINIUM PROJECT REGIME FOR:

"355" & 355 A " AUWINALA ROAD

T.M.K.#: 4 - 2 - 020 : 080

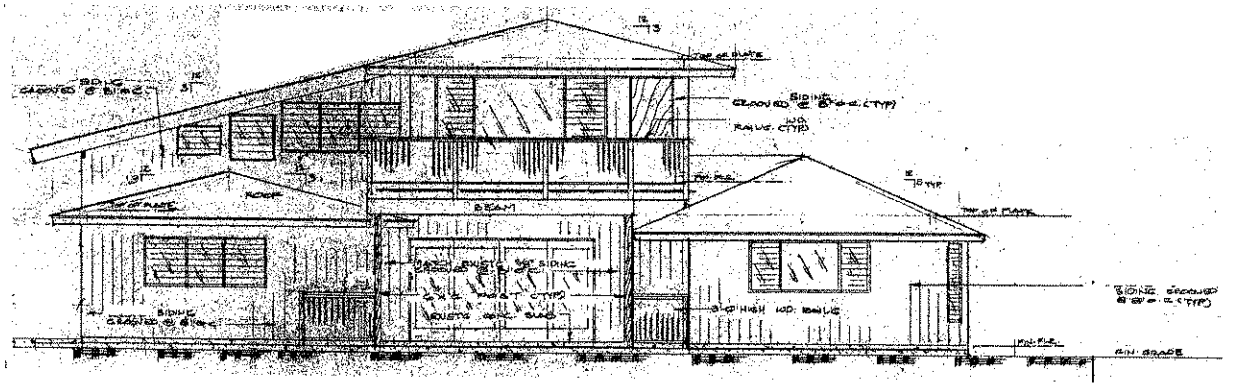
JOB #
06-135
SHEET #
3



RIGHT

EXTERIOR ELEVATIONS FOR "355"

SCALE: 1/8" = 1'-0"



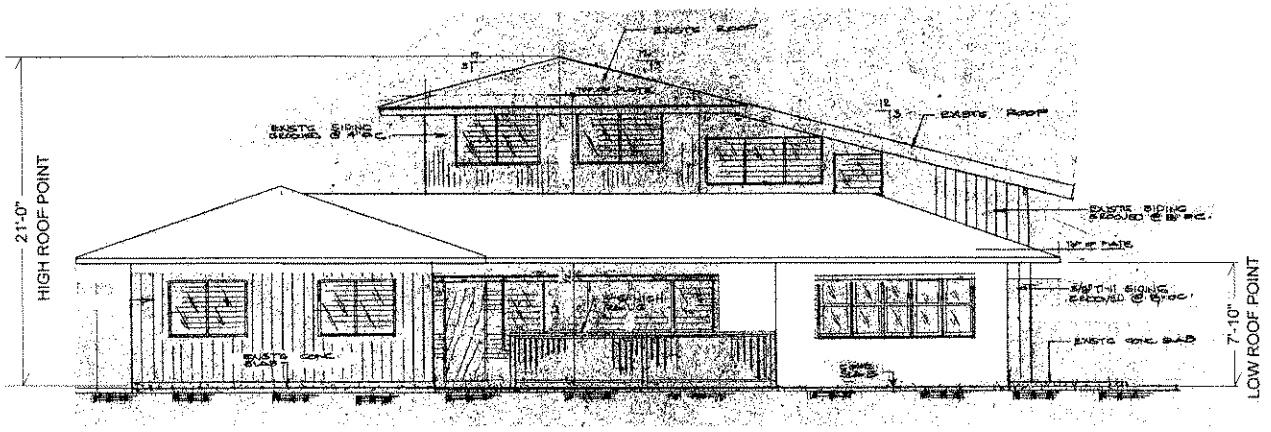
REAR

CONDOMINIUM PROJECT REGIME FOR:

"355" & 355 A " AUWINALA ROAD

T.M.K.#: 4 - 2 - 020 : 080

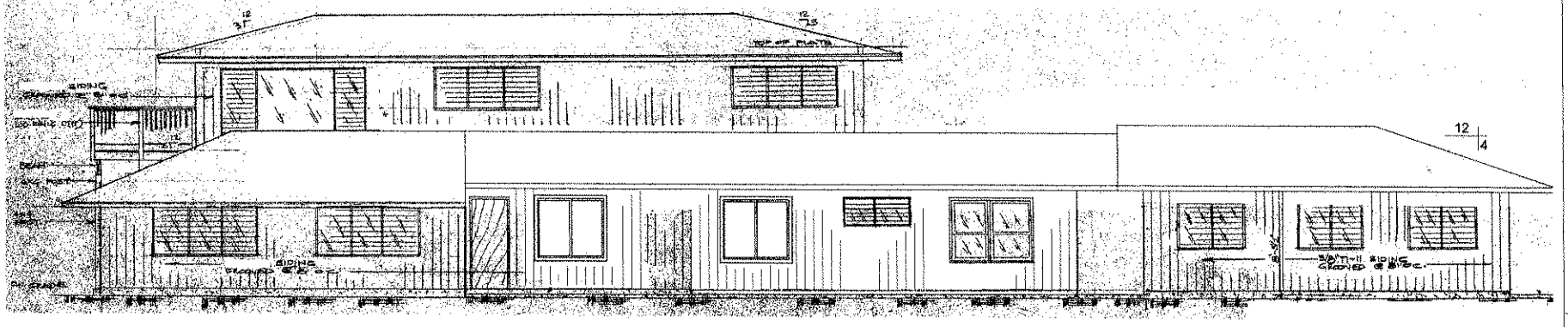
JOB #
06-135
SHEET #
4



FRONT

EXTERIOR ELEVATIONS FOR "355"

SCALE: 1/8" = 1'-0"



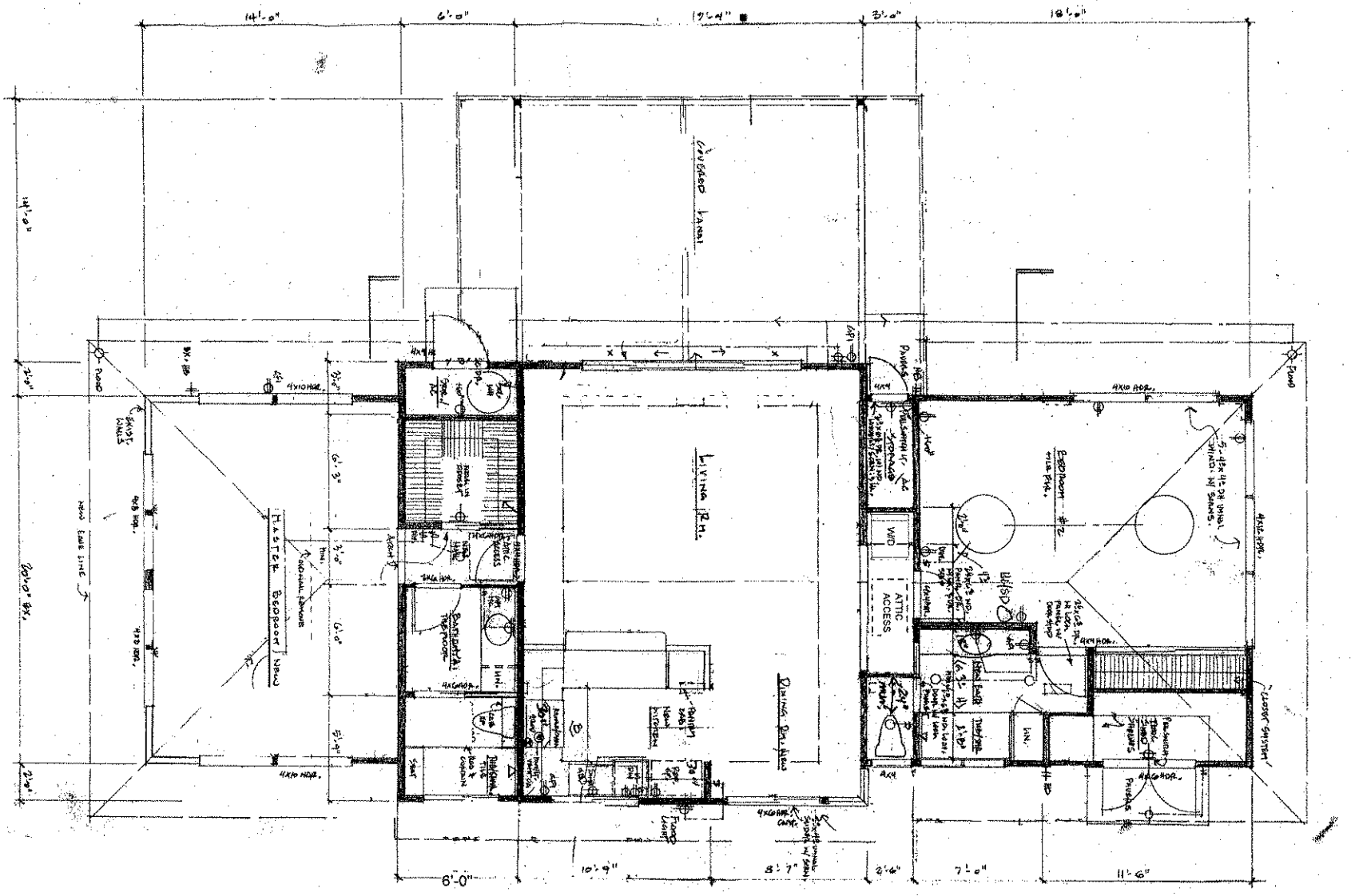
LEFT

CONDOMINIUM PROJECT REGIME FOR:

"355" & 355 A " AUWINALA ROAD

T.M.K.#: 4 - 2 - 020 : 080

JOB #
06-135
SHEET #
5



AREA CALCULATIONS FOR " 355 A"

LIVING AREA :	1233 SQ. FT.
LANAI AREA :	360 SQ. FT.

FLOOR PLAN FOR "355 A"

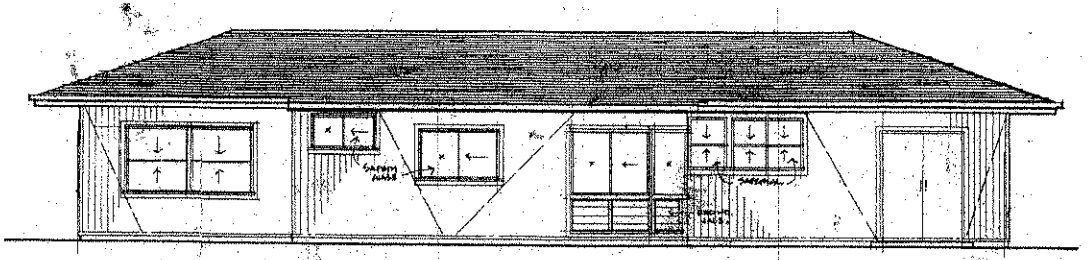
SCALE: 3/16" = 1'-0"

CONDOMINIUM PROJECT REGIME FOR:

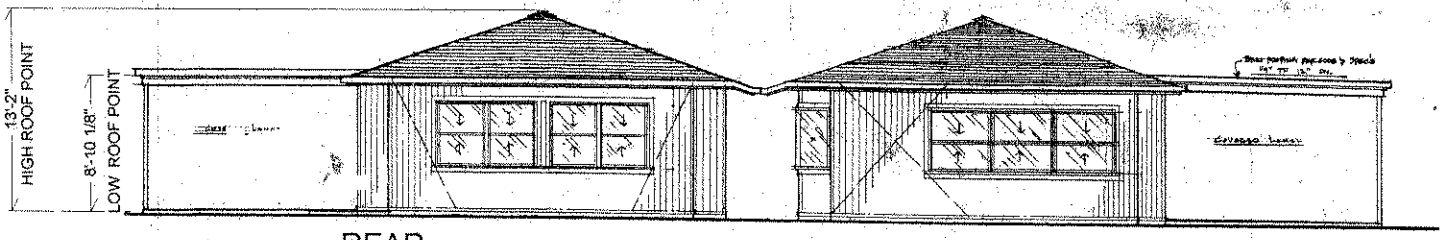
"355" & 355 A " AUWINALA ROAD

T.M.K.#: 4 - 2 - 020 : 080

JOB #
06-135
SHEET #
6

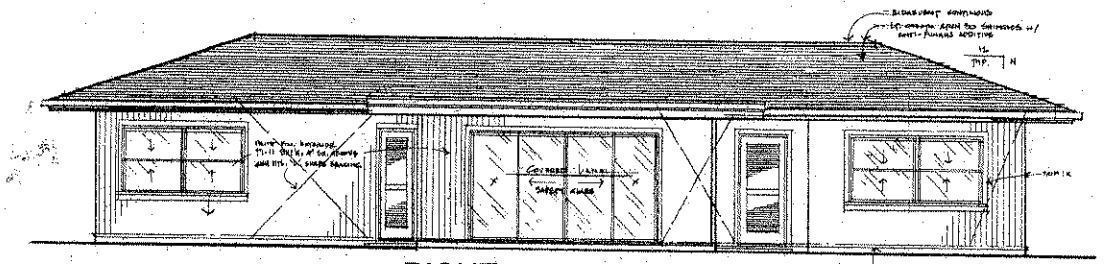


LEFT



REAR

FRONT



RIGHT

EXTERIOR ELEVATIONS FOR "355 A"

SCALE: 1/8" = 1'-0"

CONDOMINIUM PROJECT REGIME FOR:

"355" & 355 A " AUWINALA ROAD

T.M.K.#: 4 - 2 - 020 : 080

JOB #
06-135
SHEET #
7

THE ORIGINAL OF THE DOCUMENT RECORDED AS FOLLOWS:
STATE OF HAWAII

BUREAU OF CONVEYANCES

Doc 2006-150177
AUG 15, 2006 01:00 PM

AFTER RECORDATION, RETURN BY MAIL ( ) PICK-UP (X)
ANDERS G. O. NERVELL, ESQ.
CLAY CHAPMAN CRUMPTON IWAMURA
& PULICE
700 BISHOP STREET, SUITE 2100
HONOLULU, HAWAII 96813

THIS DOCUMENT CONTAINS 55 PAGES

TITLE OF DOCUMENT:

BY-LAWS OF THE ASSOCIATION OF UNIT OWNERS
OF
355 & 355A AUWINALA ROAD

PARTIES TO DOCUMENT:

DECLARANT: MICHAEL D. STYRING and KAREN M. STYRING, husband and wife
355 Auwinala Road, Kailua, Hawaii 96734

PROPERTY DESCRIPTION:

SEE EXHIBIT "A"

DOCUMENT NO(S).: 2002-087524

LAND COURT DOCUMENT NO.: N/A

TRANSFER CERTIFICATE OF TITLE NO(S).: N/A

Tax Map Key: (1) 4-2-20-80

EXHIBIT "O"

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BY-LAWS OF THE ASSOCIATION OF UNIT OWNERS
OF
355 & 355A AUWINALA ROAD

THESE BY-LAWS are adopted this 10th day of August, 20 06, by MICHAEL D. STYRING and KAREN M. STYRING, husband and wife, whose address is 355 Auwinala Road, Kailua, Hawaii 96734 (hereinafter called the "Declarant").

W I T N E S S E T H:

WHEREAS, Declarant owns in fee simple that certain real property more particularly described in Exhibit "A" attached hereto and made a part hereof (the "Land");

WHEREAS, Declarant has improved the Land by constructing thereon certain improvements (the "Improvements") in accordance with plans and specifications therefor recorded concurrently herewith in the Recording Office; and

WHEREAS, the Declarant has established that certain Condominium Property Regime consisting of the Land and Improvements (herein call the "Project") known as the "355 & 355A AUWINALA ROAD" by Declaration of Condominium Property Regime of even date herewith recorded in the Recording Office concurrently herewith (the "Declaration").

NOW, THEREFORE, the Declarant hereby declares that the Land and Improvement are and shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, and improved subject to the Declaration and to the following By-Laws of the Association of Unit Owners of 355 & 355A AUWINALA ROAD, as the same may be lawfully amended from time to time (the "By-Laws"), all of which are declared to be in furtherance of the plan set forth in the Declaration and are established for the purpose of enhancing and perfecting the value, desirability, and attractiveness of the Project. These By-Laws shall constitute covenants running with the land and shall be binding on and inure to the benefit of the Declarant, its heirs, personal representatives, successors and assigns, and all present and future Unit Owners, mortgagees, tenants, and occupants of the Units and any other person who may occupy or use any Unit or other part of the Project.

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The terms used in these By-Laws shall have the meanings given to them in the Act, except as expressly provided otherwise below:

"Act" means Chapter 514B, Hawaii Revised Statutes, as amended.

"Association" means the Association of Unit Owners of the Project.

"Board of Directors" or "Board" means the Board of Directors of the Association.

"Commission" means the Real Estate Commission of the State of Hawaii.

"Common elements" means those parts of the Project designated in the Declaration as common elements, including the limited common elements.

"Dwelling Area" means the land immediately underlying and surrounding a Unit, as shown on the Condominium Map. Each Dwelling Area is a limited common element appurtenant to the Unit situated on the Dwelling Area, as provided in Paragraph 5 of the Declaration. THE DWELLING AREAS ARE NOT LEGALLY SUBDIVIDED LOTS.

"House Rules" means the rules and regulations, if any, adopted pursuant to these By-Laws, as the same may be amended from time to time, governing the details of the operation and use of the Project, and certain details regarding the use of the Units.

"Limited common elements" means those parts of the Project designated in the Declaration as limited common elements.

"Mortgagee of a Unit" or "Unit mortgagee" means the holder of a mortgage encumbering the fee title to, or any recorded leasehold interest in, a Unit.

"Owner" or "Unit Owner" means any person or entity owning, or the persons or entities owning jointly or in common, a Unit and the common interest appertaining thereto, provided that to such extent and for such purposes, including the exercise of voting rights, as shall be provided by a recorded lease demising a Unit for a term of more than one (1) year, a lessee of a Unit shall be deemed to be the Owner thereof. The purchaser of a Unit pursuant to an agreement of sale recorded in the Recording Office shall have all the rights of a Unit Owner, including the right to vote, provided that the seller under such agreement of sale may retain the right to vote on matters substantially affecting his security interest in the Unit, including, but not limited to, the right to vote on the matters listed in Section 514B-124 of the Act.

"Project" means and includes the Land and all Improvements thereon and all easements, rights and appurtenances belonging thereto and all articles of personal property intended for use in connection therewith.

"Record", "recorded" or "recordation" means to record or to be recorded in the Recording Office

"Recording Office" means the Bureau of Conveyances of the State of Hawaii.

"Unit" refers to the Units identified in and created under the Declaration.

"Unit Deed" refers to the deed of a Unit from the Declarant to an Unit Owner recorded in the Recording Office.

ARTICLE II

APPLICATION AND ENFORCEMENT

Section 2.1 Administration and Operation. The administration and operation of the Project shall be governed by the Act, the Declaration, these By-Laws, the House Rules, if any, the Unit Deed conveying to each Owner his interest in his Unit, and all other applicable federal, state or local laws, ordinances, and rules.

Section 2.2 Personal Application. All present and future Owners, mortgagees, tenants and occupants of Units and their guests and employees, and any other person who may use the Project in any manner are subject to these By-Laws, the Declaration, and the House Rules, if any. The acceptance of a Unit Deed, conveyance, mortgage or similar instrument, or the acquisition of any interest in the Project, or the entry into or the act of occupancy of a Unit, shall constitute an agreement that these By-Laws, the House Rules, if any, and the provisions of the Declaration, are accepted, ratified and shall be complied with.

Section 2.3 Compliance with Declaration, By-Laws, and House Rules. Each Unit Owner, such Unit Owner's employees, tenants, guests, invitees, and any other persons using the Project shall comply strictly with the covenants, conditions and restrictions set forth in the Declaration, these By-Laws, and the House Rules, if any. Each Unit Owner is fully responsible for ensuring that all employees, tenants, guests, and invitees of the Unit Owner comply strictly with such covenants, conditions and restrictions, and shall be personally liable for any non-compliance. 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 managing agent or Board of Directors on behalf of the Association or, in a proper case, by an aggrieved Unit Owner.

Section 2.4 Attorney's Fees and Expenses of Enforcement.

(a) All costs and expenses, including reasonable attorneys' fees, incurred by

or on behalf of the Association for:

(1) Collecting any delinquent assessments against any Owner's Unit;

(2) Foreclosing any lien thereon; or

(3) Enforcing any provision of the Declaration, these By-Laws, the House Rules, if any, the Act, or the rules of the Commission;

against an Owner, occupant, tenant, employee of an Owner, or any other person who may in any manner use the Project, shall be promptly paid on demand to the Association by such person or persons; provided that if the claims upon which the Association takes any action are not substantiated, all costs and expenses, including reasonable attorneys' fees, incurred by any such person or persons as a result of the action of the Association, shall be promptly paid on demand to such person or persons by the Association.

(b) If any claim by an Owner is substantiated in any action against the Association, any of its officers or Directors, or the Board to enforce any provision of the Declaration, these By-Laws, the House Rules, if any, or the Act, then all reasonable and necessary expenses, costs, and attorneys' fees incurred by an Owner shall be awarded to such Owner; provided that no such award shall be made in any derivative action unless:

(1) The Owner first shall have demanded and allowed reasonable time for the Board to pursue such enforcement; or

(2) The Owner demonstrates to the satisfaction of the court that a demand for enforcement made to the Board would have been fruitless.

If any claim by an Owner is not substantiated in any court action against the Association, any of its officers or Directors, or the Board to enforce any provision of the Declaration, these By-Laws, the House Rules, if any, or the Act, then all reasonable and necessary expenses, costs, and attorneys' fees incurred by the Association shall be awarded to the Association, unless before filing the action in court the Owner has first submitted the claim to mediation, or to arbitration under Part V, subpart D of the Act, and made a good faith effort to resolve the dispute under any of those procedures.

Section 2.5 Conflicts. These By-Laws are set forth to comply with the requirements of the Act. In case of these By-Laws conflict with the Act or the Declaration, the provisions of the Act or the Declaration, as the case may be, shall control.

ARTICLE III

ASSOCIATION

Section 3.1 Qualifications for Membership. All Unit Owners of the Project shall constitute 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. Notwithstanding anything to the contrary provided herein, the Declarant shall be entitled to vote and act on all matters as the Association and the Board of Directors until such time as the first meeting of the Association. Thereafter, the Declarant, as the owner of any unsold Units, shall be entitled to vote the interest of each such Unit.

Section 3.2 First Meeting; Annual Meetings. The first annual meeting of the Association shall be held not later than one hundred eighty (180) days after recordation of the first Unit conveyance; provided that forty percent (40%) or more of the Project has been sold (or conveyed by the Declarant) and recorded. If forty percent (40%) of the Project is not sold (or conveyed by the Declarant) and recorded, at the end of one year after the first Unit conveyance, an annual meeting shall be called, provided ten percent (10%) of the Unit Owners so request. Thereafter, the annual meetings of the Association shall be held within three (3) calendar months following the end of the fiscal year selected by the Board, and if the annual meeting date for any year shall not be held or called within said period, then the annual meeting for such year shall be held on the first day of the fourth calendar month following the end of the fiscal year selected by the Board. At such annual meetings, including the first annual meeting, the Board of Directors shall be elected by ballot of the Unit Owners in accordance with Article IV, Section 4.3, of these By-Laws. The Unit Owners may transact such other business at such meetings that may properly come before them.

Section 3.3 Place of Meetings. All meetings of the Association shall be held at the address of the Project, or elsewhere within the State of Hawaii convenient to the Unit Owners as determined by the Board of Directors.

Section 3.4 Method of Calling Special Meetings. Except as otherwise provided herein, special meetings of the Association shall be held at any time upon the call of the President or of any Director or upon the written request of any Unit Owner.

Section 3.5 Notice of Meetings. Written notice of all Association meetings, whether annual or special, shall be given to each Unit Owner at least fourteen (14) days prior to the meeting, in any of the following ways: (a) by delivering it personally to the Unit Owner, or (b) if, the Unit Owner resides in the Project, by leaving it at such Unit Owner's Unit in the Project, or (c) by mailing it, postage prepaid, addressed to the Unit Owner at the address of such Owner as it appears on the Association's record of ownership, or (d) at the option of the Unit Owner, expressed in writing, by electronic mail to the electronic mailing address designated in writing by the Unit Owner. The

written notice of meeting 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 authorized by the Association, if any. If notice is given in accordance with the provisions of this Section 3.5, the failure of any member of the Association to receive actual notice of any meeting shall not in any way invalidate the meeting or proceedings thereat. The presence of a Unit Owner or Unit mortgagee in person or by proxy at any meeting shall be deemed a waiver of any required notice to such Owner or Unit mortgagee unless such Owner or Unit mortgagee shall at the opening thereof object to the holding of such meeting because of the failure to give notice in accordance with the provisions hereof.

Section 3.6 Quorum. At all meetings of the Association, the presence in person or by proxy of all of the Unit Owners shall constitute a quorum, and the acts of a majority of the Unit Owners present in person or by proxy at any meeting of the Association at which a quorum is present shall be binding upon all Unit Owners for all purposes, except as otherwise provided in the Declaration or in these By-Laws. The term "majority of Unit Owners" herein means the Owners of Units to which are appurtenant more than fifty percent (50%) of the common interests of the Project, and any other specified percentage of Unit Owners means the Owners of Units to which are appurtenant such specified percentage of the common interests.

Section 3.7 Voting. Voting shall be on a percentage basis, and the percentage of the total vote to which each Unit is entitled shall be the percentage of the common interests assigned to such Unit pursuant to the Declaration. Votes allocated to lobby areas, swimming pools, recreation areas, saunas, storage areas, hallways, trash chutes, laundry chutes, and other similar common areas not located inside Units shall not be cast at any Association meeting, regardless of their designation in the Declaration. Votes may be cast in person or by proxy by the Unit Owners. A personal representative, guardian or trustee may vote in person or by proxy at any meeting of the Association the vote for any Unit owned or controlled by him in such capacity, provided that prior to such meeting he shall first present evidence satisfactory to the Board of Directors that he owns or controls such Unit in such capacity. If only one of several Owners of a Unit is present at a meeting of the Association, that Owner is entitled to cast all the votes allocated to that Unit. If more than one of the Owners is present, the votes allocated to that Unit may be cast only in accordance with the agreement of a majority in interest of the Owners. There is majority agreement if any one of the Owners casts the votes allocated to that Unit without protest being made by any of the other Owners of the Unit to the person presiding over the meeting before the polls are closed.

Section 3.8 Proxies and Pledges.

(a) Votes allocated to a Unit may be cast pursuant to a proxy duly executed by a Unit Owner. A Unit Owner may vote by mail or electronic transmission through a duly executed proxy. If a Unit is owned by more than one person, each Owner of the Unit may vote or register protest to the casting of votes by the other Owners of the Unit through a duly executed proxy. In the absence of protest, any Owner may cast the votes allocated to the Unit by proxy. A Unit Owner may revoke a proxy given pursuant

to this section only by actual notice of revocation to the Secretary or the managing agent (if any). A proxy is void if it purports to be revocable without notice.

(b) A proxy, to be valid, shall:

(1) Be delivered to the Secretary 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;

(2) Contain at least the name of the Association, the date of the meeting of the Association, the printed names and signatures of the persons giving the proxy, the Unit numbers for which the proxy is given, the names of persons to whom the proxy is given, and the date that the proxy is given; and

(3) If it is a standard proxy form authorized by the Association, 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 as a whole and that the vote is to be made on the basis of the preference of the majority of the directors present at the meeting; or

(D) To those directors present at the meeting with the vote to be shared with each director receiving an equal percentage.

The proxy form shall also contain a box wherein the Owner may indicate that the Owner wishes to obtain a copy of the annual audit report required by Section 514B-150 of the Act.

(c) 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 Unit Owner desires and indicates; provided that no proxy shall be irrevocable unless coupled with a financial interest in the Unit.

(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 of record encumbering a Unit or under an agreement of sale affecting a Unit.

(f) No managing agent or resident manager, or their employees, shall solicit, for use by the managing agent or resident manager, any proxies from any Unit Owner of the Association that retains the managing agent or employs the resident manager, nor shall the managing agent or resident manager cast any proxy vote at any Association meeting except for the purpose of establishing a quorum.

(g) With respect to the use of Association funds to distribute proxies:

(1) If the Board intends to use Association funds to distribute proxies, including the standard proxy form referred to in subsection (b)(3) above, shall first post notice of its intent to distribute proxies in prominent locations within the project at least twenty-one (21) days before its distribution of proxies. If the Board receives within seven (7) 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:

(A) A proxy form containing the names of all Owners who have requested the use of Association funds for soliciting proxies accompanied by their statements; or

(B) 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 statement, which shall be limited to black text on white paper, shall not exceed one single-sided 8-1/2" x 11" page, indicating the Owner's qualifications to serve on the Board or reasons for wanting to receive proxies; and

(2) The Board or member of the Board may use Association funds to solicit proxies as part of the distribution of proxies. If a member of the Board, as an individual, seeks to solicit proxies using Association funds, the Board member shall proceed as a Unit Owner under subparagraph (g)(1) above.

Section 3.9 Adjournment of Meetings. Any meeting of the Association may from time to time be adjourned to a time not less than forty-eight (48) hours from the time the original meeting was called as may be determined by a majority of the Unit Owners present, whether or not a quorum is present, without any further notice other than the announcement at such meeting. If a quorum is present upon reconvening such adjourned meeting, any business may be transacted which might have been transacted by a quorum at the meeting as originally called.

Section 3.10 Order of Business. The order of business at all meetings of the Association shall be generally as follows:

(a) Roll call;

(b) Proof of notice of meeting;

(c) Reading of minutes of preceding meeting (unless waived by vote of a majority of the Association members present at such meeting);

(d) Reports of officers;

(e) Report of Board of Directors;

(f) Reports of committees;

(g) Election of members of the Board of Directors (when so required);

(h) Unfinished business; and

(i) New business.

Section 3.11 Conduct of Association Meetings. All meetings of the Association shall be conducted in accordance with the most current edition of Robert's Rules of Order.

Section 3.12 Minutes of Association Meetings.

(a) Minutes of meetings of the Association shall be approved at the next succeeding regular meeting or by the Board, within sixty (60) days after the meeting, if authorized by the Owners at an annual meeting. If approved by the Board, Owners shall be given a copy of the approved minutes or notified of the availability of the minutes within thirty (30) days after approval.

(b) Minutes of all meetings of the Association shall be available within seven (7) calendar days after approval, and unapproved final drafts of the minutes of a meeting shall be available within sixty days after the meeting.

(c) An Owner shall be allowed to offer corrections to the minutes at an Association meeting.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1 Powers and Duties. The affairs of the Association, except as otherwise provided by the Act, the Declaration, or these By-Laws, shall be conducted and managed by a Board of Directors. In the performance of their duties, members of the Board shall owe the Association a fiduciary duty and exercise the degree of care and loyalty required of an officer or director of a corporation organized under Chapter 414D, Hawaii Revised Statutes, as amended. Pursuant to Section 6.2 of these By-Laws, the Board may employ a responsible corporate managing agent with such powers and duties of the Board as shall be delegated by the Board.

Section 4.2 Number; Qualification; and Compensation.

(a) The Board of Directors shall be constituted of two (2) persons, each of whom shall be a Unit Owner or co-Owner, vendee 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.

(b) There shall not be more than one representative on the Board of Directors from any one Unit.

(c) No resident manager or employee of the Project shall serve on the Board of Directors.

(d) An Owner shall not act as an officer of the Association and an employee of the managing agent retained by the Association. Any owner who is a Board member of the Association and an employee of the managing agent retained by the Association shall not participate in any discussion regarding a management contract at a Board meeting and shall be excluded from any executive session of the Board where the management contract or the property manager will be discussed.

(e) No member of the Board of Directors shall receive any compensation from the Association for acting as such, but may be reimbursed for actual expenses incurred in the course of acting as such Director.

Section 4.3 Method of Electing the Board. Election of Directors shall be by cumulative voting by secret ballot at each annual meeting of the Unit Owners and any special meeting called for that purpose.

Section 4.4 Term of Office. The Board of Directors shall be elected annually by the Unit Owners at each annual meeting of the Association and each Director so elected shall hold office until the annual meeting of the Association held next after his election and until his successor has been elected, or until he shall have resigned or been removed.

Section 4.5 Removal of Directors. At any regular or special meeting of the Association, any one or more of the members of the Board of Directors may be removed with or without cause by the Unit Owners and a successor shall then and there be elected for the remainder of the term to fill the vacancy thus created; provided that an individual Director shall not be removed (unless the entire Board is removed) if Owners having sufficient votes to elect one Director by cumulative voting present at such meeting shall vote against his removal. A member of the Board of Directors whose removal is proposed by the Unit Owners shall be given an opportunity to be heard at the meeting. If such removal and replacement is to occur at a special meeting, the call for such meeting shall be by the President, a majority of the Board, or by a petition to the Secretary or managing agent signed by not less than twenty-five percent (25 %) of the Unit Owners as shown in the Association's record of ownership; provided that if the Secretary or managing agent does not send out the notices for the special meeting within fourteen (14) days of receipt of the petition, the petitioners shall have the authority to set the time, date and place for the special meeting and to send out notices for the special meeting in accordance with the requirements for notice contained herein.

Section 4.6 Annual Meetings. The Board of Directors shall meet at least once a year. Each annual meeting of the Board of Directors shall be held at the place of and immediately following each annual meeting of the Association. At such meeting the Board shall elect the officers of the Association for the ensuing year. The first meeting of the first elected Board shall be held at the place of and immediately following the first annual meeting of the Association as provided in Section 3.2 of these By-Laws.

Section 4.7 Proxy Vote. A Director shall not cast any proxy vote at any Board meeting.

Section 4.8 Conflict of Interest. A Director shall not vote at any Board meeting on any issue in which the Director has a conflict of interest.

Section 4.9 Disclosure of Conflict. 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. "Conflict of interest", as used in Section 4.8 and this Section 4.9, means an issue in which a Director has a direct personal or pecuniary interest not common to other members of the Association.

Section 4.10 Notice of Board Meetings. Notice of all Board meetings shall be posted by the managing agent, 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.

Section 4.11 Board Meetings.

(a) 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.

(b) 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 matters:

(1) Concerning personnel;

(2) Concerning litigation in which the Association is or may become involved;

(3) Necessary to protect the attorney-client privilege of the Association; or

(4) Necessary to protect the interests of the Association while negotiating contracts, leases, and other commercial transactions.

The general nature of any business to be considered in executive session shall first be announced in open session.

(c) All Board meetings shall be conducted in accordance with the most recent edition of Robert's Rules of Order Newly Revised. The Board may permit any meeting to be conducted by any means of communication through which all Directors participating may simultaneously hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting. If permitted by the Board, any Unit Owner may participate in a meeting conducted by a means of communication through which all participants may simultaneously hear each other during the meeting, provided that the Board may require that the Unit Owner pay for the costs associated with the participation.

Section 4.12 Minutes of Meetings. Minutes of meetings of the Board 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 shall be approved no later than the second succeeding regular meeting. Minutes of all meetings of the Board shall be available within seven (7) calendar days after approval, and unapproved final drafts of the minutes of a meeting shall be available within sixty (60) 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 4.13 Expenses of Directors.

(a) Directors shall not expend Association funds for their travel, directors' fees, and per diem, unless Owners are informed and a majority approve of these expenses; provided that, with the approval of the Board, Directors may be reimbursed

for actual expenditures incurred on behalf of the Association. The minutes shall reflect in detail the items and amounts of the reimbursements.

(b) 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 subsection shall be subject to the requirements of Section 4.13(a) above.

Section 4.14 Decisions of Board of Directors. At all meetings of the Board of Directors, the quorum necessary to conduct business shall be a majority of the Directors. The vote or written consent of a majority of Directors present at a meeting at which a quorum of Directors is present shall constitute the decision of the Board. If at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. Following such adjournment, at any reconvened meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 4.15 Regular Meetings. Regular meetings of the Board of Directors may be held at the address of the Project, or elsewhere within the State of Hawaii, and at such time as shall be determined from time to time by the Board of Directors. Unless the Board of Directors determines otherwise, meetings shall be held quarterly; provided, however, that at least two (2) regular meetings, in addition to the annual meeting of the Board, shall be held during each fiscal year. Notice of the time and place for each regular meeting of the Board of Directors shall be given to each member of the Board of Directors in writing at least three (3) business days prior to the day named for such meeting and shall be posted at a prominent place or places within the common elements at least three (3) days prior to the day named for the meeting.

Section 4.16 Special Meetings. Special meetings of the Board of Directors may be called by the President or any one Director on three (3) business days written notice to each member of the Board of Directors, which notice shall state the time, place and purpose of the meeting. Any notice of a special meeting shall be posted in the manner prescribed for regular meetings at least three (3) business days prior to the meeting.

Section 4.17 Waiver of Notice. Any member of the Board of Directors may at any time waive notice of any meeting of the Board and such waiver shall be deemed equivalent to the timely receipt of such notice. Attendance by a member of the Board of Directors at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time and place thereof. If all the members of the Board of Directors are present at any meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

Section 4.18 Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a member thereof by a vote of the Unit Owners shall be filled at a special meeting of the Association called for that purpose promptly after the occurrence of any such vacancy, at which time a successor director shall be elected by the Unit Owners. Any successor Director so elected shall hold office until the next annual meeting of the Association, at which time a successor Director shall be elected by the Unit Owners. Any successor Director elected by the Unit Owners in the foregoing manner shall serve for the remaining unexpired term in respect of which the vacancy occurred.

Section 4.19 Liability and Indemnity of the Board of Directors and Officers. The members of the Board of Directors and the officers of the Association shall not be liable to the Association or any of the Unit Owners for any mistake of judgment or otherwise except for their own gross negligence or willful misconduct. The Association may, upon request of any Director or officer, obtain and maintain, as a common expense, a policy of directors' and officers' liability insurance covering the Directors and officers of the Association and shall indemnify each Director and officer of the Association against all costs, expenses, and liabilities, including 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 hereafter 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 officer, or by reason of any past or future action taken, authorized, or approved by him or any omission to act as such Director or officer, whether or not he continues to be such Director or officer at the time of the incurring or imposition of such costs, expenses, or liabilities, but not including such costs, expenses, or liabilities 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 his gross negligence or willful misconduct toward the Association in the performance of his duties as such Director or officer. The foregoing right of indemnification shall not be exclusive of other rights which any Director or officer may have and shall inure to the benefit of the heirs and personal representatives of each Director and officer.

Section 4.20 Fidelity Bonds. A managing agent employed or retained by the Board of Directors shall provide evidence of a fidelity bond in an amount not less than the minimum amount required by law. The Board of Directors shall obtain annually, as a common expense, a fidelity bond or bonds, in an amount not less than the minimum amount required by law, to cover all officers, directors, employees, and managing agents of the Association who handle the Association's funds. To the extent reasonably obtainable, the bonds shall: (a) provide that the bonds may not be cancelled or substantially modified (including cancellation for non-payment of premiums) without at least 30 days prior written notice to the Board and all Unit mortgagees and every other person in interest who shall have requested such notice in writing, and (b) contain a waiver of defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

Section 4.21 Inspection by Directors; Copies of Documents. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of, the Association and the physical properties owned or controlled by the Association. This right of inspection by a Director includes the right to make extracts and copies of documents.

Section 4.22 Condominium Documents for Board Members. The Association, at its own expense, shall provide all Board members with a current copy of the Declaration, By-Laws, House Rules, if any, and annually, a copy of the Act with amendments.

ARTICLE V

OFFICERS

Section 5.1 Election and Term of Office. The officers of the Association shall be the President, the Secretary, and the Treasurer, all of whom shall be elected by and from among the Board of Directors. The Secretary and the Treasurer may be the same person. The Board of Directors may designate and elect such other officers as in its judgment may be necessary. The officers of the Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board of Directors. In the performance of their duties, officers shall owe the Association a fiduciary duty and exercise the degree of care and loyalty required of an officer or director of a corporation organized under Chapter 414D, Hawaii Revised Statutes, as amended.

Section 5.2 Restriction on Qualification. An Owner shall not act as an officer of the Association and an employee of the managing agent retained by the Association, if any.

Section 5.3 President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the laws of the State of Hawaii, including, but not limited to, the power to appoint committees from among the Unit Owners from time to time as he may in his discretion decide to be appropriate to assist in the conduct of the affairs of the Association. In absence of, or disability or refusal to act of the President, the Secretary shall perform all of the duties of the President.

Section 5.4 Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Board of Directors. He shall see that all notices are given in accordance with these By-Laws. He shall have charge of such books and papers of the Association as the Board of Directors may direct. He shall, in general, perform all the duties incident to the office of Secretary of a corporation organized under the laws of the State of Hawaii. Duties of the Secretary may be delegated to and performed by the managing agent.

Section 5.5 Treasurer. The Treasurer shall keep the financial records and books of account of the Association showing all receipts and disbursements, and shall be responsible for the preparation of all required financial data. He shall be responsible for the deposit of all moneys and other valuable effects of the Association in such depositories as shall be designated by the Board of Directors. He shall, in general, perform all the duties incident to the office of Treasurer of a corporation organized under the laws of the State of Hawaii. Duties of the Treasurer may be delegated to and performed by the managing agent or any outside accounting organization.

Section 5.6 Audits.

(a) The Association 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 the annual audit and the annual unannounced cash balance verification may be waived by a majority vote of all Unit Owners taken at an Association meeting.

(b) The Board of Directors shall make available a copy of the annual audit to each Unit 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 a copy of the annual audit report. The Board shall not be required to submit 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:

(1) An unaudited year end financial statement for the fiscal year to each unit owner at least thirty (30) days prior to the annual meeting; and

(2) 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 5.7 Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 5.8 Compensation of Officers. No officer shall receive any compensation from the Association for acting as such, but may be reimbursed for actual expenses incurred in the course of acting as such officer.

Section 5.9 Agreements, Contracts, Deeds, Checks and Other Instruments. All agreements, contracts, certificates, deeds, leases, checks and other instruments of the Association, including any amendments to these By-Laws, shall be signed by the President and one other officer of the Association, or such other person or persons as may be designated by the Board of Directors, provided that no officer, though he may hold more than one office, shall sign any instrument in more than one capacity.

ARTICLE VI

MANAGEMENT

Section 6.1 Management and Operation of the Project. The Board of Directors shall at all times manage and operate the Project, including the common elements of the Project, and shall have the powers and duties necessary or proper therefor, and may do all acts and things except such as by law, the Declaration or these By-Laws may not be delegated to the Board of Directors by the Unit Owners. Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

(a) Operation, care, upkeep, replacement, repair, and maintenance of the common elements;

(b) Preparation annually of a budget of the common expenses required for the affairs of the Association (including, without limitation, the operation and maintenance of the Project) and determination of the amounts of monthly and special assessments;

(c) Levy and collection of monthly and special assessments of the common expenses and other charges payable by the Unit Owners;

(d) Purchasing and maintaining of insurance pursuant to the Declaration and these By-Laws;

(e) Adoption and amendment of the House Rules, if any, and enforcement of the House Rules, if any, applicable provisions of the Declaration, these By-Laws, and the Act;

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor;

(g) Rebuilding, repairing, and restoring the Project in accordance with the other provisions of these By-Laws after damage or destruction by fire or other casualty or as a result of eminent domain proceedings;

(h) Procuring legal and accounting services necessary or proper for the administration and operation of the Project or the interpretation, enforcement or

implementation of the Declaration, these By-Laws, the House Rules, if any, and any other material documents or decisions affecting the Project;

(i) Purchasing, leasing, or otherwise procuring any other materials, equipment, supplies, furniture, labor and services, making repairs and structural alterations, and paying all taxes and assessments and other common expenses which the Board is required to procure, make or pay pursuant to the Declaration, these By-Laws or by law or which in its opinion shall be necessary or proper for the operation of the Project or the enforcement of the Declaration or these By-Laws, provided that if any such materials, supplies, furniture, labor, services, repairs, structural alterations, insurance, taxes, or assessments are required because of the particular actions or negligence of the owners of a particular Unit, the cost thereof shall be specially assessed to the Owners of such Unit;

(j) Maintenance and repair of any Unit if (i) such maintenance or repair is necessary, in the discretion of the Board, to protect the common elements or any other Unit and (ii) the Owner or Owners of the Unit shall have failed or refused to perform the maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair delivered by the Board to the Owner or Owners; provided that the Board shall levy a special assessment against such Unit for the cost of such maintenance or repair and any attorneys' fees and other expenses incurred in levying and collecting such special assessment;

(k) Payment of any amount necessary to discharge any lien or encumbrance levied against the entire Project or any part thereof which may in the opinion of the Board constitute a lien against the Project or against the common elements rather than merely against the interest therein of particular Owners. If one or more Owners are responsible for the existence of any such lien, they shall be jointly and severally liable for the cost of discharging it and the costs incurred by the Board by reason of such lien;

(l) Access to each Unit from time to time during reasonable hours as may be necessary for the operation of the Project or for emergency repair of any Unit or the limited common elements appurtenant thereto necessary to prevent damage to the common elements or to another Unit; provided that the cost of such repair shall be chargeable to the Owners of such Unit and the Board shall assess a special assessment on the Owners of such Unit for the cost of such repair and any attorneys' fees and other expenses incurred in levying and collecting such special assessment;

(m) Appointing a manager or managing agent or both and delegating to them or either of them such of its powers as it deems necessary or appropriate, delegation of which is not otherwise prohibited herein or in the Declaration or By-Laws;

(n) Employment, designation, supervision, and dismissal of personnel necessary for the maintenance, repair, replacement, and restoration of the common elements;

(o) Establishment of such penalties and fines and any interest thereon as it deems appropriate with respect to enforcement of the provisions of the Declaration, these By-Laws, and the House Rules, if any, including penalties and fines and any interest thereon for failure or refusal to pay to the Association on demand all costs, expenses, common expenses and assessments (special or otherwise) required to be paid hereunder; provided such penalties and fines are not inconsistent with applicable laws or the provisions of these By-Laws.

(p) Purchasing, leasing or otherwise acquiring any Unit in the name of the Board of Directors on behalf of all Unit Owners;

(q) Subject to any approval requirements and spending limitations contained herein or in the Declaration, the Board may authorize the borrowing of money to be used by the Association for the repair, replacement, maintenance, operation, or administration of the common elements and personal property of the Project, or the making of any additions, alterations and improvements thereto; provided that written notice of the purpose and use of the funds is first sent to all Unit Owners and Owners representing fifty percent (50%) of the common interest vote or give written consent to the borrowing. In connection with the borrowing, the Board may grant to the lender the right to assess and collect monthly or special assessments from the Unit Owners and to enforce the payment of the assessments or other sums by statutory lien and foreclosure proceedings. The cost of such borrowing, including, without limitation, all principal, interest, commitment fees, and other expenses payable with respect to such borrowing or the enforcement of the obligations under the borrowing, shall be a common expense of the Project. For purposes of this provision, the financing of insurance premiums by the Association within the policy period shall not be deemed a loan and no lease shall be deemed a loan if it provides that at the end of the lease the Association may purchase the leased equipment for its fair market value;

(r) If the Board so chooses, conducting (or directing another responsible party to conduct) a background check on applicants applying for employment as a security guard or manager or for a position which would allow such employees access to the keys of or entry into the Units or access to Association funds, provided such employee applicant signs an authorization to conduct such background check;

(s) Dispose of personalty abandoned in or on the common elements of the Project in any one of the following ways:

(1) Sell the personalty in a commercially reasonable manner;

(2) Store such personalty at the expense of its owner;

(3) Donate such personalty to a charitable organization; or

(4) Otherwise dispose of such personalty, provided that no such sale, storage, or donation shall occur until sixty (60) days after the Board complies with the following:

(A) The Board notifies the Owner in writing of:

(i) The identity and location of the personally; and

(ii) The Board's intent to so sell, store, donate, or dispose of the personalty. Notification shall be by certified mail, return receipt requested, to the Owner's address as shown by the records of the Association, or to an address designated by the Owner for the purpose of notification; or, if neither of these is available, to the Owner's last known address, if any; or

(B) If the identity or address of the Owner is unknown, the Board shall first advertise the sale, donation, or disposition at least once in a daily newspaper of general circulation within the City and County of Honolulu.

The proceeds of any sale or disposition of personalty as set forth above shall, after deduction of any accrued costs of mailing, advertising, storage, and sale, be held for the Owner for thirty (30) days, after which any proceeds not claimed shall become the property of the Association.

(t) Expending Association funds for necessary travel and per diem on behalf of the Board members, provided that the Unit owners are informed in advance and the expenses are approved by all the Unit Owners;

(u) 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; and

(v) Delegation of its powers to committees, agents, officers, representatives, and employees.

Section 6.2 Employment of Managing Agent. The Board of Directors may (but shall not be required to) employ a responsible corporate managing agent duly registered with the Commission to manage and control the Project subject at all times to direction by the Board, with such powers and duties of the Board as shall be delegated by the Board. The compensation of the manager or managing agent shall be specified by the Board. Notwithstanding the foregoing, the Declarant shall have the right to select the initial managing agent for the Project, subject, however, to the provisions of

Sections 514B-134 and 514B-135 of the Act. The managing agent shall at all times comply with all of the requirements of the Act.

The managing agent shall have such powers and duties as may be necessary or proper in connection with (a) supervision of the immediate management and operation of the Project, (b) maintenance, repair, replacement, and restoration of the common elements and any additions or alteration thereto, (c) the purchase, maintenance, and replacement of any equipment, (d) provision for service of all utilities to the building and the various Units, (e) employment, supervision, and dismissal of such personnel as it deems necessary for the maintenance and operation of the Project, (t) negotiating and contracting with others for the furnishing of such services as it deems proper for the Project, (g) preparation of a proposed budget and schedule of assessments, (h) collection of all assessments and payment of all bills, (i) purchase of such insurance and fidelity bonds as is contemplated by these By-Laws, (j) custody and control of all Association funds, (k) maintenance of books and records on a cash basis and (l) preparation of financial reports and registration of the Association with the Commission. The Board of Directors may in its discretion limit any of the powers herein granted to the managing agent or grant additional powers to the managing agent.

Section 6.3 Renting or Selling of Units by Association Employees. An employee of the Association shall not engage in selling or renting Units in the Project except for Units owned by the Association, unless such activity is approved by sixty-seven percent (67%) of the Unit Owners.

Section 6.4 House Rules. The Declarant may initially adopt and the Board of Directors may thereafter adopt and/or amend such House Rules as the Declarant or the Board of Directors, as the case may be, may deem necessary or desirable governing the details of the operation and use of the common elements and certain details of the use of the Units, including, without limitation, such operation and use of the Units and the limited common elements as may affect the operation and use of the common elements. Such rules shall be binding upon the Unit Owners, and all invitees, guests, employees, and tenants of the Unit owners and all occupants of the Units.

Section 6.5 Abatement and Enjoinment of Violations by Unit Owner. The violation of any of the House Rules, the breach of any of these By-Laws or the breach of any provision of the Declaration shall give the Board the rights in addition to any other rights set forth in these By-Laws:

(a) To enter (by force, if necessary) the Unit in which, or as to which, such violation or breach exists and summarily to abate any structure, thing or condition that may exist therein in violation of the House Rules, these By-Laws or the Declaration, and the Board shall not thereby be guilty of any trespass or be or become liable for any damage to the Unit or any common elements caused by such entry, all costs of repairing any such damage being the sole responsibility of the defaulting Owner; provided, however, that notwithstanding the foregoing, the Board shall have such right of entry (forcible or otherwise) only in the instance where such violation or breach

threatens an immediate, substantial and undeniable threat to life, limb or property of any Unit Owner, member of his family, tenant, guest or invitee; or

(b) To enjoin, abate or remedy, by appropriate legal proceedings, the continuance of any such breach, and all costs thereof, including attorneys' fees, shall be paid by the defaulting Unit Owner on demand.

Section 6.6 Manner of Handling and Disbursement of Association Funds.

(a) The Association funds shall not be commingled with funds of other activities such as lease rent collections and rental operations. The managing agent (if any) shall not commingle any Association funds with the managing agent's own funds.

(b) All funds collected by the Association, or by the managing agent (if any), shall be:

(1) Deposited in a financial institution, including a federal or community credit union, located in the State of Hawaii, pursuant to a resolution adopted by the Board, and whose deposits are insured by an agency of the United States government;

(2) Held by a corporation authorized to do business under Article 8 of Chapter 412, Hawaii Revised Statutes, as amended;

(3) Held by the United States Treasury; or

(4) 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 of Hawaii, and the accounts of which are held by member firms of the New York Stock Exchange or National Association of Securities Dealers and insured by the Securities Insurance Protection Corporation.

All funds collected by the Association, or by the managing agent (if any), shall be invested only in:

(1) Deposits, investment certificates, savings accounts, and certificates of deposit;

(2) 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 (10) years after the purchase date unless approved otherwise by a majority vote of the Unit Owners at an annual or special meeting of the Association or by written consent of a majority of the Unit Owners; or

(3) 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 (10) years after the purchase date unless approved otherwise by a majority vote of the Unit Owners at an annual or special meeting of the Association or by written consent of a majority of the Unit Owners;

provided that before any investment longer than one year is made by the Association, the Board of Directors must approve the action; and provided further that the Board must clearly disclose to the 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 the Association shall only be disbursed by employees of the Association under the supervision of the Board. All funds collected by the managing agent (if any) from the Association shall be held in a client trust fund account and shall be disbursed only by the managing agent (if any) or the managing agent's employees under the supervision of the Board.

(c) The managing agent (if any) or the Board shall not, by oral instructions over the telephone, transfer Association funds between accounts.

(d) The managing agent (if any) shall keep and disburse funds collected on behalf of the Unit Owners in strict compliance with any agreement made with the Unit Owners, Chapter 467, Hawaii Revised Statutes, as amended, the rules of the Commission, and all other applicable laws.

(e) Any person who embezzles or knowingly misapplies Association funds received by a managing agent (if any) or the Association shall be guilty of a class C felony.

ARTICLE VII

COMMON EXPENSES

Section 7.1 Common Expenses Defined. Common expenses means and includes all sums designated in the Declaration or in these By-Laws as common expenses, all sums incurred by or on behalf of the Board of Directors in the conduct and management of the affairs of the Association pursuant to the Declaration and these By-Laws, such amounts as the Board of Directors deems proper to maintain an adequate reserve fund for the operation and maintenance of the Project, including, without limitation, anticipated needs for working capital, capital improvements, and for replacements, repairs and contingencies, and such amounts as the Board of Directors

deems proper to make up any deficit in the common expense assessments for any prior year. Without limiting the generality of the foregoing, common expenses shall include all charges for taxes (except real property taxes and other such taxes which are or may hereafter be assessed separately on each Unit 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 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 and the cost of all utility services (including water, electricity, gas, garbage disposal, telephone and any similar services) unless separately metered, in which case the amounts shall be charged to each Unit and shall be payable by the Owner of such Unit. The interest of any Unit Owner in the reserves of the Association may not (except upon the termination of the Condominium Property Regime established by the Declaration) be withdrawn or assigned separately, but shall be deemed to be transferred automatically with each transfer of the Unit, whether or not mentioned or described expressly in the transfer document.

Section 7.2 Method of Determining and Collecting Common Expenses. Except as otherwise provided in the Declaration or these By-Laws, each Unit Owner shall be liable for and pay a share of the common expenses, in proportion to the common interest appurtenant to his Unit. Assessments of common expenses shall be payable in monthly installments on the first day of each month, or at such other times as shall be determined by the Board of Directors. The Declarant shall fix the rate of assessments of common expenses until such rate shall be redetermined by the Board of Directors. The Board of Directors shall annually fix the rate of assessments of common expense and shall notify each Unit Owner in writing of the amount of the assessments applicable to such Owner's Unit not less than thirty (30) 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, provided the Board of Directors shall notify each Unit Owner in writing of such increase or special assessment 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 expenditure 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.

Section 7.3 Payment as Agent. The Board will pay or cause to be paid, on behalf of the Owners, all common expenses. Each Owner, as principal, shall be liable for and pay his share, determined as provided in the Declaration and these By-Laws, of all common expenses; and the Board shall be responsible, as agent for each Owner, only to transmit the payments made by the Owner to third persons to whom such payments must be made by the Owner. The Board may require the managing agent to assist in its duties hereunder. The Board or the managing agent collecting the common

expenses shall not be liable for payment of such common expenses as principal but only as the agent of all Owners to transmit said payments to third persons to whom such payments must be made by the Owners.

Section 7.4 Budget and Reserves. The following special budget and reserve provisions shall apply, subject to the Act and any further regulations adopted by the Commission:

(a) The Board of Directors shall prepare and adopt an annual operating budget and distribute it to the Unit Owners. At a minimum, the budget shall include the following:

(1) The estimated revenues and operating expenses of the Association;

(2) Information as to whether the budget has been prepared on a cash or accrual basis;

(3) The total replacement reserves of the Association as of the date of the budget;

(4) The estimated replacement reserves the Association will require to maintain the Project based on a reserve study performed by the Association;

(5) A general explanation of how the estimated replacement reserves are computed;

(6) The amount the Association must collect for the fiscal year to fund the estimated replacement reserves; and

(7) Information as to whether the amount the Association must collect for the fiscal year to fund the estimated replacement reserves was calculated using a percent funded or cash flow plan. The method or plan shall not circumvent the estimated replacement reserves amount determined by the reserve study pursuant to Section 7.4(a)(4) above.

(b) The Association shall assess the Unit Owners to either: (1) fund a minimum of fifty percent (50%) of the estimated replacement reserves, or (2) fund one hundred percent (100%) of the estimated replacement reserves when using a cash flow plan. For each fiscal year, the Association shall collect the amount assessed to fund the estimated replacement reserves for that fiscal year, except as may be otherwise provided by the Act or the rules and regulations of the Commission.

(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 Project. The estimated replacement reserves shall include:

(1) 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

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

(d) Neither the Association nor any Unit Owner, director, officer, managing agent, or employee of the Association who makes a good faith effort to calculate the estimated replacement reserves for the Association shall be liable if the estimate subsequently proves incorrect.

(e) The Board of Directors may not exceed its total adopted annual operating budget by more than twenty percent (20%) 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 of Directors shall adopt 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.

(f) The requirements of this Section 7.4 shall override any requirements in the Declaration, these By-Laws, or any of the Association's other documents relating to preparation of budgets, calculation of reserve requirements, assessment and funding of reserves, with the exception of:

(1) Any requirements in the Declaration, these By-Laws, or any of the Association's other documents which require the Association to collect more than fifty percent (50%) of reserve requirements; or

(2) Any provisions relating to upgrading the common elements, such as additions, improvements, and alterations to the common elements.

(g) Subject to the procedures of Section 514B-157 of the Act and any rules adopted by the Commission, any Unit Owner may enforce the Board's compliance with this Section 7.4 in the event the Board fails to so comply. In the event the Board has not prepared an annual operating budget and reserve study as required in this Section 7.4,

the Board shall have the burden of proving it has complied with this Section 7.4 in any proceeding to enforce such compliance.

(h) As used in this section:

"Capital expenditure" means an expense which results from the purchase or replacement of an asset whose life is greater than one year, or the addition of an asset that extends the life of an existing asset for a period greater than one year.

"Cash flow plan" means a minimum twenty-year projection of the Association's future income and expense requirements to fund fully its replacement reserves requirements each year during that twenty-year period, except in an emergency; provided that it does not include a projection of special assessments or loans during that twenty-year period, except in an emergency.

"Emergency situation" means any extraordinary expenses:

(1) Required by an order of a court;

(2) Necessary to repair or maintain any part of the property for which the Association is responsible where a threat to personal safety on the Project is discovered;

(3) Necessary to repair any part of the Project for which the Association is responsible that could not have been reasonably foreseen by the Board of Directors in preparing and distributing the annual operating budget;

(4) Necessary to respond to any legal or administrative proceeding brought against the Association that could not have been reasonably foreseen by the Board in preparing and distributing the annual operating budget; or

(5) Necessary for the Association to obtain adequate insurance for the Project which the Association must insure.

"Major maintenance" means an expenditure for maintenance or repair that will result in extending the life of an asset for a period greater than one year.

"Replacement reserves" means funds for the upkeep, repair, or replacement of those parts of the Project including, but not limited to roofs, walls, decks, paving, and equipment, that the Association is obligated to maintain.

Section 7.5 Default in Payment of Assessments. Each monthly (or other periodic) assessment and each special assessment shall be the separate, distinct and personal debt and obligation, as of the date of assessment, of the Owner against whom the same is assessed and, in the case of an Unit owned by more than one person, shall be the joint and several obligation of such co-owners. Any assessment not paid within ten (10) days after the due date thereof shall accrue interest at the rate of twelve percent (12%) per annum from such due date until paid and shall be subject to the assessment of such late charge as may be from time to time determined by the Board of Directors. All unpaid amounts of such assessments (or any other assessments provided for in the Declaration or these By-Laws) against any Unit or Unit Owner shall constitute a lien on such Unit or such Owner's Unit prior to all other liens, except only (i) liens for taxes and assessments lawfully imposed by governmental authority against such Unit (which by law have priority over the Association's lien), and (ii) liens of any bona fide mortgage which was recorded prior to the recording of a notice of a lien by the Association. Such lien for an unpaid assessment may be foreclosed by an action brought by the Association or by its managing agent on behalf of the Association, as provided by the Act in like manner as the foreclosure of a mortgage of real property, provided that ten (10) days prior written notice of intention to foreclose such lien shall be mailed by registered mail, postage prepaid, to the Owner of the Unit to be foreclosed upon. The Association or the managing agent, acting on behalf of the Association, shall be entitled to bid on such Unit at the foreclosure sale and to acquire, hold, lease, mortgage and convey such Unit. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien securing such assessments.

In the event of a default or defaults in payment of any such assessment or assessments, and in addition to any other remedies the Board of Directors may have, the Board of Directors may enforce each such obligation as follows:

(a) By suit or suits at law to enforce such assessment obligation. Each such action must be authorized by a majority of the Board at a regular or special Board meeting, and any such suit may be instituted by the Board or the managing agent (if so authorized by the Board in writing), on behalf of the Association. Any judgment rendered in favor of the Association in any such action shall include reasonable attorneys' fees and costs. Upon full satisfaction of any such judgment, the Board shall authorize any two (2) members thereof or officers of the Association, acting in the name of the Board and the Association, to execute and deliver to the judgment debtor an appropriate satisfaction thereof.

(b) At any time after the occurrence of any such default, the Board or the managing agent may give a notice to the defaulting Unit Owner stating the date and amount of the delinquency. If the delinquent amount is not paid within ten (10) days after delivery or mailing of such notice, the Board or the managing agent may record a notice of lien against the Unit of such delinquent Unit Owner. Any such notice of lien shall be signed and acknowledged by any two (2) or more members of the Board or

officers of the Association, the attorney for the Association, or the managing agent. Irrespective of whether or not such a notice of lien is recorded, the Board shall have all remedies provided in these By-Laws, the Declaration and the Act on account of the occurrence of any such default. Each default shall constitute a separate basis for a notice of lien, but a single notice of lien may be filed with respect to more than one default.

A certificate executed and acknowledged or made under penalty of perjury by any two (2) members of the Board or officers of the Association or the managing agent shall be conclusive upon the Association and the Owners in favor of any and all persons who rely thereon in good faith as to the matters therein contained, and any Owner shall be entitled to such a certificate setting forth the amount of any due and unpaid assessments with respect to his Unit (or the fact that all assessments due are paid if such is the case) within fifteen (15) days after demand therefor and upon payment of a reasonable fee or service charge, in an amount fixed from time to time by the Board. If any notice of lien is filed as aforesaid and thereafter the Board receives payment in full of the amount claimed to be due and owing (including accrued interest, late fees and any costs of enforcement and/or attorneys' fees) then upon demand of the Unit Owner and payment of a reasonable fee, the Board, acting by any two (2) members of the Board of the Directors of the Association or the managing agent, shall execute, acknowledge and deliver to the Owner a release of lien, stating the date of the original notice of lien, the date, the filing data of the notice of lien and that the lien is fully satisfied, released and discharged.

Section 7.6 Assessment Disputes.

(a) No Unit Owner shall withhold any assessment claimed by the Association. A Unit Owner who disputes the amount of an assessment may request a written statement clearly indicating:

(1) The amount of common expenses included in the assessment, including the due date of each amount claimed;

(2) The amount of any penalty, late fee, lien filing fee, and any other charge included in the assessment;

(3) The amount of attorneys' fees and costs, if any, included in the assessment;

(4) That under Hawaii law, a Unit Owner has no right to withhold assessments for any reason;

(5) That a Unit Owner has a right to demand mediation or arbitration to resolve disputes about the amount or validity of an Association's assessment, provided the Unit Owner immediately pays the assessment in full and keeps assessments current; and

(6) That payment in full of the assessment does not prevent the Unit Owner from contesting the assessment or receiving a refund of amounts owed.

Nothing in these By-Laws shall limit the rights of a Unit Owner to the protection of all fair debt collection procedures mandated under federal and state law.

(b) A Unit Owner who pays the 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 Unit Owner and the Association are unable to resolve the dispute through mediation, either party may file for arbitration under Section 10.8 of these By-Laws or part VI of the Act, whichever is applicable, provided that a Unit 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 Unit 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 Unit Owner pays all Association assessments within thirty days of the date of suspension, the Unit Owner may ask the arbitrator to recommence the arbitration proceedings. If the Unit 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 Unit owner shall be entitled to a refund of any amounts paid to the Association which are not owed.

Section 7.7 Waiver. The failure of the Board to insist in any one or more instances 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 or to serve any notice or to institute any action or summary proceeding shall not be construed as a waiver or a relinquishment for the future, of such covenant, option or right, but such covenant, option or right shall continue and remain in full force and effect. 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 7.8 Liability of Acquirer of Title on Foreclosure for Unpaid Common Expenses. Except as otherwise provided by the Act, where the Unit mortgagee of a mortgage of record or other purchaser of a Unit obtains title to the Unit as a result of foreclosure on the mortgage, the acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to the Unit which became due prior to the acquisition of title to the Unit by the acquirer. The unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Unit Owners, including the acquirer, his successors, and assigns. The Unit mortgagee of a mortgage of record or other purchaser of an Unit shall be deemed to acquire title and shall be required to pay the

Unit's share of common expenses and assessments beginning:

(1) Thirty-six (36) days after the order confirming the sale to the purchaser has been filed with the court;

(2) Sixty (60) days after the hearing at which the court grants the motion to confirm the sale to the purchaser;

(3) Thirty days after the public sale in a nonjudicial power of sale foreclosure pursuant to Section 667-5, Hawaii Revised Statutes, as amended; or

(4) Upon the recording of the deed,

whichever occurs first; provided that the mortgagee of record or other purchaser of the Unit shall not be deemed to acquire title under paragraph (1), (2), or (3), if transfer of title is delayed past the thirty-six days 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 action 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 Unit shall be deemed to acquire title upon recordation of the instrument of conveyance.

Section 7.9 Joint and Several Liability of Grantor and Grantee for Unpaid Common Expenses. In a voluntary conveyance, the grantee under a Unit Deed covering a Unit is jointly and severally liable with the grantor for all unpaid assessments against the grantor for his share of the common expenses up to the time of the conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any such grantor or grantee is entitled to a statement from the managing agent 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 30-day period immediately preceding the date of such statement, the grantee is not liable for, nor is the Unit conveyed subject to a lien for, any unpaid assessments against the grantor in excess of the amount therein set forth.

Section 7.10 Waiver of Use of Common Elements; Abandonment of Unit; Conveyance to Board of Directors. No Unit Owner may exempt himself from liability for his contribution towards the common expenses by waiver of the use or enjoyment of any of the common elements or by abandonment of his Unit. Any Unit Owner may, by conveying his Unit and his common interest to the Board of Directors on behalf of all other Unit Owners, exempt himself from common expenses thereafter accruing.

Section 7.11 Taxes and Assessments. Each Owner of an Unit shall be obligated to have the real property taxes for such Unit and its appurtenant interest in the common

elements assessed separately by the proper governmental authority and to pay the amount of such real property taxes so determined. The foregoing sentence shall apply to all types of taxes which now are or may hereafter be assessed separately by law on each Unit 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 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 Project 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 Project or any part of the common elements, the Board may pay such taxes or assessments as part of the common expenses. Such assessments by the Board are secured by the lien created by Section 7.5 hereof.

Section 7.12 Utility Expenses. The cost of utility services to any Unit which are separately metered or check metered shall be payable by the Owner of such Unit, payable directly to the utility company if a separate bill is rendered, or otherwise added to his share of common expenses. For all utility expenses not separately metered or check metered, the Board shall fairly and equitably allocate such utility expenses based upon consumption and cost of utilities.

Section 7.13 Collection from Tenant. Subject to any requirements set for in the Act, if an Owner at any time rents or leases his Unit and defaults for a period of thirty (30) days or more in the payment of the Owner's share of the common expenses, the Board may, so long as such default continues, demand and receive from any renter or lessee (hereinafter in this paragraph referred to as "lessee") of the Owner occupying the Unit the rent due or becoming due from such lessee to the Owner up to an amount sufficient to pay all sums due from the Owner, including interest and costs of enforcement if any; and any such payment of such rent to the Board by the lessee shall be a full and sufficient discharge of such lessee as between such lessee and the Owner to the extent of the amount so paid; but no such demand or acceptance of rent from any lessee shall be deemed to be a consent to or approval of any lease by the Owner or a release or discharge of any of the obligations of the Owner hereunder remaining unpaid or unperformed or an acknowledgment of surrender of any rights or duties hereunder. If the Board makes any such demand upon the lessee, the lessee shall not have the right to question the right of the Board to make such demand, but shall be obligated to make such payments to the Board as demanded by the Board with the effect as aforesaid; provided that the Board may not exercise this right if a receiver has been appointed to take charge of the premises pending a mortgage foreclosure or if a mortgagee is in possession pending a mortgage foreclosure.

Section 7.14 Alternative to Foreclosure. As an alternative to the foreclosure proceedings under Section 7.5 above, where an Unit is owner-occupied, the Board or the managing agent may, after sixty (60) days' written notice to the Owner of the Unit

and to the Unit's first mortgagee of the nonpayment of the Unit's share of the common expenses, terminate the delinquent Unit's access to the common elements and cease supplying the delinquent Unit with any and all services normally supplied or paid for by the Association. Any terminated services and privileges shall be restored upon payment of all delinquent assessments.

ARTICLE VIII

MAINTENANCE, REPAIR AND USE

Section 8.1 Maintenance and Repair of Units and Limited Common Elements. Except as otherwise provided herein or in the Declaration, each Owner of a Unit shall, at the Owner's expense, keep the Unit and all limited common elements appurtenant thereto, in good order, condition, and repair and do such repainting and redecorating as may be necessary to maintain the good appearance and condition of his Unit and limited common elements appurtenant thereto.

Section 8.2 Maintenance and Repair of Common Elements. Except as otherwise provided herein or in the Declaration, all maintenance, repairs and replacements of the common elements shall be made only by or at the direction of the Board and be charged to all the Owners as a common expense; provided that (a) the costs of maintenance, repairs and replacements necessitated by the negligence, misuse or neglect of an identified Unit owner shall be charged to such Unit Owner as a special assessment constituting a lien on such Owner's Unit in accordance with Section 7.5 of Article VII hereof, and (b) all costs of maintenance, repair, replacement, additions and improvements to any limited common element shall be charged to the Owner of the Unit to which such limited common element is appurtenant as a special assessment constituting a lien on such Unit in accordance with Section 7.5 of Article VII hereof.

Section 8.3 Alteration of the Common Elements.

(a) Except as otherwise provided in the Declaration, additions, alterations, repairs, or improvements to the common elements of the Project may be made only by or at the direction of the Board of Directors. Subject to the provisions of the Declaration and of the Act, and except as otherwise provided herein or in the Declaration in connection with the limited common elements, no Owner may, without the prior written approval of the Board, make any alteration, addition, repair or improvement to any of the common elements.

(b) Whenever in the judgment of the Board, the common or limited common elements shall require additions, alterations, repairs or improvements with a total coat of less than TEN THOUSAND DOLLARS ($10,000.00), the Board may proceed with such additions, alterations, repairs or improvements and shall assess the cost thereof as a common expense, except that the cost of any such work performed on any limited common elements shall be charged to the owners of Units to which such limited common elements are appurtenant. Any additions, alterations, repairs or improvements

costing in excess of TEN THOUSAND DOLLARS ($10,000.00) may be made by the Board only after obtaining approval of a majority of the Unit Owners; except that such approval shall not be required for any additions, alterations, repairs or improvements required by law or in the event of an emergency threatening immediate and substantial damage to person or property. If such approval shall be obtained, the cost thereof shall constitute part of the common expense.

(c) Except as otherwise provided herein or in the Declaration, restoration, replacement, alteration of or addition to the common elements different in any material respect from the Condominium Map, shall be undertaken by the Association or any Unit Owner only pursuant to an amendment of the Declaration, pursuant to the approval of the Owners of at least sixty-seven percent (67%) of the common interest, and in accordance with complete plans and specifications therefore first approved in writing by the Board; and promptly upon completion of such restoration, replacement or construction, the Association shall duly record such amendment, together with a complete set of plans reflecting such alteration certified by a licensed architect, engineer, or surveyor to accurately depict the layout, location, Unit numbers and dimensions of the Units as built.

Section 8.4 Exemptions for Persons With Disabilities. Notwithstanding anything to the contrary contained in these By-Laws, the Declaration, or the House Rules, if any, handicapped occupants of the Project shall: (a) be permitted to make reasonable modifications to their Units, the limited common elements appurtenant thereto, and/or common elements, at their expense (including without limitation the cost of obtaining any bonds required by the Declaration, these By-Laws or the Act), if such modifications are necessary to enable them to use and enjoy their Units, limited common elements, and/or the common elements, as the case may be; and (b) be allowed reasonable exemptions from these By-Laws, the Declaration, and the House Rules, if any, when necessary to enable them to use and enjoy their Units, the limited common elements appurtenant thereto, and/or the common elements, provided that any handicapped occupant desiring to make such modifications or desiring such exemptions shall make such request, in writing, to the Board of Directors. That request shall set forth, with specificity and in detail, the nature of the request and the reason that the requesting party needs to make such modifications or be granted such exemptions. The Board of Directors shall not unreasonably withhold or delay its consent to such request, and any such request shall be deemed to be granted if not denied in writing, within forty-five (45) days of the Board of Directors' receipt thereof or of any additional information reasonably required by the Board of Directions in order to consider such a request, whichever shall last occur.

Section 8.5 Certain Work Prohibited. No Unit Owner shall do any work that may jeopardize the soundness or safety of the Project, reduce the value thereof, or impair any easement, as reasonably determined by the Board. Except as otherwise provided in the Declaration, no Unit Owner may make or allow any material addition or alteration, or excavate an additional basement or cellar, without first obtaining the written consent of sixty-seven percent (67%) of the Unit Owners, the consent of all Unit

Owners whose Units or appurtenant limited common elements are directly affected, and the approval of the Board, which shall not unreasonably withhold such approval. Except as otherwise provided in the Declaration, nonmaterial additions to or alterations of the common elements or Units (as defined in Section 514B-140 of the Act), including, without limitation, additions to or alterations of a Unit made within such Unit or within a limited common element appurtenant to and for the exclusive use of the Unit, shall require approval only by the Board of Directors, which shall not unreasonably withhold the approval, and such percentage, number, or group of Unit Owners as may be required by the Declaration or these By-Laws; provided that the installation of solar energy devices shall be allowed on single-family residential dwellings or townhouses pursuant to the provisions in Section 196-7, Hawaii Revised Statutes, as amended.

Section 8.6 Use.

(a) Each Unit in the Project shall be used only for the purposes set forth in the Declaration.

(b) All common elements of the Project shall be used only for their respective purposes as designed and as set forth in the Declaration, subject to:

(1) The right of the Owners to amend the Declaration to change the permitted uses of the common elements; provided that subject to Section 514B-140(c) of the Act:

(A) Changing common element open spaces or landscaped spaces to other uses shall not require an amendment to the Declaration; and

(B) Minor additions to or alterations of the common elements for the benefit of individual Units are permitted if the additions or alterations can be accomplished without substantial impact on the interests of other Owners in the common elements, as reasonably determined by the Board;

(2) The right of the Board, on behalf of the Association, to lease or otherwise use for the benefit of the Association those common elements that the Board determines are not actually used by any of the Unit Owners for a purpose permitted in the Declaration. Unless the lease is approved by the Owners of at least sixty-seven percent (67%) of the common interest, the lease shall have a term of no more than five (5) years and may be terminated by the Board or the lessee on no more than sixty (60) days prior written notice; provided that the requirements of this section shall not apply to any leases, licenses, or other agreements entered into for the purposes authorized by Section 514B-140(d) of the Act;

(3) The right of the Board, on behalf of the Association, to lease or otherwise use for the benefit of the Association those common elements that the Board determines are actually used by one or more Unit Owners for a purpose permitted in the Declaration. The lease or use shall be approved by the owners of at least sixty-seven percent (67%) of the common interest, including all directly affected Unit Owners that the Board reasonably determines actually use the common elements, and the Owners' mortgagees; provided that the requirements of this section shall not apply to any leases, licenses, or other agreements entered into for the purposes authorized by Section 514B-140(d) of the Act.

(c) No Unit Owner shall make or permit to be made any noise by himself or his tenants, employees, guests, or invitees, which will unreasonably annoy or interfere with the rights, comfort or convenience of other Owners or occupants of the Project.

(d) Every Unit Owner and occupant shall at all times keep his Unit and the limited common elements appurtenant thereto 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 refuse, garbage or trash of any kind shall be thrown, placed or kept on any common elements of the Project outside of the area(s) provided for such purpose.

(f) Nothing shall be allowed, done or kept in any Unit or common element of the Project which would overload or impair the floors, walls or roofs thereof, or cause any increase in the ordinary premium rates or the cancellation or invalidation of any insurance thereon maintained by or for the Association.

(g) No Unit Owner or occupant shall place, store or maintain on common walkways, common roadways or other common access areas any furniture, packages or objects of any kind or otherwise obstruct transit through such walkways, roadways or other access areas.

(h) No Unit Owner or occupant shall make or suffer any strip or waste or unlawful, improper or offensive use of his Unit or the Project nor alter or remove any furniture, furnishings or equipment of the common elements.

ARTICLE IX

MORTGAGES

Section 9.1 Notice to Unit Mortgagees. All notices permitted or required to be given to a Unit Owner pursuant to these By-Laws shall also be given to the Unit

mortgagees of such Unit Owner if such Unit mortgagees have delivered to the Board of Directors written request for such notices.

Section 9.2 Notice to Board of Directors. An Owner who mortgages his interest in a Unit 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 mortgage with the Board of Directors. The Board of Directors shall maintain such information in a book entitled "Mortgages of Units".

Section 9.3 Mortgage Protection. Notwithstanding any provisions to the contrary contained herein:

(a) All taxes, assessments and charges which may become liens prior to a first mortgage of record on a Unit in the Project under the laws of the State of Hawaii shall relate only to the individual Units and not to the Project as a whole.

(b) The Declaration and these By-Laws shall not give a Unit Owner or any other party priority over any rights of mortgagees of Units pursuant to their mortgages in the case of a distribution to Unit Owners of insurance proceeds or condemnation awards.

(c) No amendment to this Section 9.3 shall affect the rights of any Unit mortgagee whose mortgage is recorded prior to the recordation of such amendment and who does not consent thereto.

(d) Any holder or insurer of a duly recorded first mortgage of a Unit or any interest therein whose interest appears in the record of ownership of (or who has otherwise delivered a written request to) the Association shall be entitled to:

(1) Prior written notice of any proposed amendment to the Declaration or these By-Laws:

(2) Prior written notice of any proposed termination of the Project;

(3) Timely written notice of any actual or threatened condemnation or eminent domain proceeding affecting the Project or any portion thereof;

(4) Written notice of any default of any Unit Owner which is not cured within sixty (60) days;

(5) Written notice of any significant damage or destruction to the common elements or to a Unit covered by the first mortgage held or insured by such party;

(6) A copy of all pleadings filed in any lawsuit, administrative proceeding, or other action affecting the Project or any portion thereof, at such party's expense for reproduction costs and at such party's specific written request;

(7) Prior written notice of any proposal to subdivide, encumber, sell or transfer the common elements or any part thereof; provided, however, that the granting of easements for public or private utilities or for public purposes consistent with the intended use of the common elements of the Project and the relocation of any easements appurtenant to the Project over other lands pursuant to the exercise of any right to relocate such easements by the owner of such other lands shall not be deemed a transfer within the meaning of this clause.

Section 9.4 Release of Information. The Board may provide any information available to it pertaining to a Unit or the Project to the first mortgagee of such Unit and such mortgagee may provide any information to the Board regarding the mortgagor, the mortgagor's loan and the status of such loan.

Section 9.5 Notification. The Board shall give notification in writing to all holders of first mortgages on Units as shown in the Association's record of ownership or of which the Board has been given written notice, of any lose, or taking of, the common elements of the Project if such lose or taking exceeds TEN THOUSAND DOLLARS ($10,000.00). The Board shall give notification in writing to the holder of a first mortgage on any Unit as shown in the Association's record of ownership or of which the Board has been given written notice, of any lose, or taking of, such Unit if such loss or taking exceeds ONE THOUSAND DOLLARS ($1,000.00).

ARTICLE X

GENERAL PROVISIONS

Section 10.1 Right of Access. The managing agent and any other person authorized by the Board (or, in case of an emergency, authorized by any Unit Owner) shall have a right of access to any Owner's Unit for the purpose of making inspections or correcting any condition existing in a Unit and threatening another Unit or the common elements, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical services or other common elements in a Unit or elsewhere in the Project, provided that requests for entry shall be made in advance and any such entry shall be at a time reasonably convenient to the Owner; provided further, however, that in case of an emergency, no prior request for entry need be made.

Section 10.2 Amendment.

(a) Required Percent. Except as to those amendments requiring the prior written approval of all of the eligible mortgage holders as hereinafter provided, these By-Laws may be amended in any respect consistent with law or the Declaration by affirmative vote of sixty-seven percent (67%) of the Unit Owners at any meeting of the Association duly called for such purpose or by written consent by sixty-seven percent (67%) of the Unit Owners, and shall be effective only upon the recording in the Recording Office of an instrument setting forth such amendment duly executed by the authorized officers of the Association; provided that each one of the particulars set forth in Section 514B-108 of the Act shall be embodied in these By-Laws always. Any proposed amendment by these By-Laws with the rationale for such proposal may be submitted by the Board or by a volunteer Unit Owners' committee. If submitted by a volunteer Unit Owners' committee, any proposed amendment to these By-Laws with the rationale for the proposal shall be accompanied by a petition signed by not less than twenty-five percent (25%) of the Unit Owners whose names appear on the Association's list of members as provided in Section 10.9 of these By-Laws. The proposed amendments to these By-Laws, the rationale, and the ballots for voting on such amendments shall be mailed by the Board to the Unit Owners at the common expense of the Association for vote or written consent without change within thirty (30) days of the receipt of the petition by the Board. The vote or written consent required to adopt the proposed amendments to these By-Laws shall be sixty-seven percent (67%) of all Unit Owners; provided that the vote or written consent must be obtained within three hundred sixty-five (365) days after mailing for a proposed amendment to these By-Laws submitted by either the Board or a volunteer Unit Owners' committee. In the event that the proposed amendments to these By-Laws are duly adopted, then the Board shall cause the amendments to these By-Laws to be recorded in the Recording Office. The volunteer Unit Owners' committee shall be precluded from submitting a petition for proposed amendments to these By-Laws which are substantially similar to those which have been previously mailed to the Unit Owners within one (1) year after the original petition was submitted to the Board. This Section 10.2(a) shall not preclude any Unit Owner or voluntary Unit Owners' committee from proposing any amendment to these By-Laws at any annual meeting of the Association.

Notwithstanding anything herein to the contrary, the Declarant reserves the right to amend these By-Laws without the consent or joinder of the persons then owning the Units by recording an amendment to these By-Laws to comply with the requirements of any governmental agency of the United States of America or the State of Hawaii. This right shall continue for so long as Declarant owns any interest in any of the Units.

(b) Consent of Eligible Mortgage Holders. Amendments of a material nature to these By-Laws shall require the prior written approval of not less than fifty-one percent (51%) of the eligible mortgage holders. Further, any amendment which would allow any action to terminate the Condominium Property Regime created by the Declaration for reasons other than substantial destruction or condemnation shall require the prior written approval of not less than sixty-seven percent (67%) of the eligible

mortgage holders. The term "amendments of a material nature" as used herein shall mean and refer to any changes to these By-Laws relating to those matters set forth in subparagraphs (a) through (n), inclusive, of Paragraph 20.3 of the Declaration. Any other changes to these Bylaws shall not be considered as amendments of a material change. The term "eligible mortgage holders" as used in these By-Laws shall mean and refer to eligible mortgage holders as defined in Paragraph 20.3 of the Declaration. The term "fifty-one percent (51%) of the eligible mortgage holders" shall mean eligible mortgage holders representing at least fifty-one percent (51%) of the votes of the Units that are subject to mortgages held by the eligible mortgage holders.

In the event that an eligible mortgage holder fails to appear at a meeting of the Association at which amendments to the By-Laws are proposed and considered, or fails to file a written response with the Association within thirty (30) days after it receives proper notice of the proposed amendment, delivered by certified or registered mail with a "return receipt" requested, then and in any such event such amendments shall conclusively be deemed approved by such eligible mortgage holder.

(c) Restatement of By-Laws. Any other provision of these By-Laws notwithstanding, the Board, upon resolution duly adopted, shall have the authority as set forth in the Act to restate these By-Laws from time to time to set forth any prior amendments hereto, or to amend these By-Laws as required to conform with the provisions of the Act or any other statute, ordinance, rule or regulation enacted by any governmental authority.

Section 10.3 Meeting Minutes; Financial Statements; Examination.

(a) Minutes of meetings of the Board of Directors and Association shall be approved at the next succeeding meeting; provided that for Board of Directors meetings, no later than the second succeeding meeting.

(b) 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.

(c) The Association's most current financial statement shall be provided to any interested Unit Owner at no cost or on twenty-four-hour loan, at a convenient location designated by the Board. The meeting minutes of the Board of Directors, once approved, for the current and prior year shall either:

(1) Be available for examination by Unit Owners at no cost or on twenty-four-hour loan at a convenient location at the project, to be determined by the Board; or

(2) Be transmitted to any Unit Owner making a request for the minutes,

by the Board, the managing agent (if any), or the Association's representative, within fifteen (15) 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 Unit owners pursuant to this section shall be subject to Section 514B-105(d) of the Act.

(d) Financial statements, general ledgers, the accounts receivable ledger, accounts payable ledgers, check ledgers, insurance policies, contracts, and invoices of the Association for the duration those records are kept by the Association and delinquencies of ninety (90) days or more shall be available for examination by Unit Owners at convenient hours at a place designated by the Board; provided that:

(1) 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 interests of the Association or its members or both; and

(2) Owners shall pay for administrative costs in excess of eight (8) 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.

(e) After any Association meeting, and not earlier, Unit Owners shall be permitted to examine proxies, tally sheets, ballots, Owners' check-in lists, and the certificate of election; provided that:

(1) Owners shall make a request to examine the documents within thirty (30) days after the Association meeting;

(2) 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

(3) Owners shall pay for administrative costs in excess of eight (8) hours per year.

If there are no requests to examine proxies and ballots, the documents may be destroyed thirty (30) days after the Association meeting. If there are requests to examine proxies and ballots, the documents shall be kept for an additional sixty (60) days, after which they may be destroyed. 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 pays a reasonable fee for duplicating, postage, stationery, and other administrative costs associated with handling the request.

(f) 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 (30) calendar days of receipt of the request.

Section 10.4 Availability of Project Documents. An accurate copy of the Declaration, these By-Laws, the House Rules, if any, a sample original Unit Deed, 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, to whom this function is delegated.

Section 10.5 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 the office of the managing agent, or elsewhere within the State of Hawaii as determined by the Board of Directors and shall be available for inspection by the Directors, officers, Unit Owners and Unit mortgagees.

(c) Any managing agent employed or retained by the Association may dispose of the records of the Association which are more than five (5) years old, except for tax records, which shall be kept for seven (7) years, without liability if the managing agent first provides the Board of Directors with written notice of the managing agent's intent to dispose of the records if not retrieved by the Board within sixty (60) 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 the managing agent or the Association. No person shall knowingly alter, destroy, mutilate, or conceal any books or records of the managing agent or the Association.

Section 10.6 Restrictions on Pets. Unless the Unit Owners agree otherwise and express their agreement in a written instrument signed by all owners, no livestock, poultry, or any animal raised or kept for commercial purposes shall be allowed or kept in any part of the Project; except that dogs, cats, rabbits, and other household pets in reasonable numbers may be kept by occupants in their respective Units or on the Dwelling Areas appurtenant thereto, but these household pets shall not be kept, bred, or used therein for any commercial purpose.

No animal described as a pest under section 150A-2, Hawaii Revised Statutes, as amended, and no animals prohibited from importation under Sections 141-2, 150A-5 or 150A-6, Hawaii Revised Statutes, as amended, shall be allowed in or on any part of the Project.

Section 10.7 Mediation/Arbitration of Disputes Concerning the Act, the Declaration, these By-Laws or the House Rules.

(a) Mediation. At the request of any party to a dispute concerning or involving one or more Unit Owners and the Association, the Board, managing agent, or one or more other Unit Owners relating to the interpretation, application, or enforcement of the Act, the Declaration, these By-Laws, or the House Rules, the parties to the dispute shall be required to participate in mediation in accordance with Section 514B-161 of the Act. Nothing in this section shall be interpreted to require the mediation of any dispute which is exempt from mediation under Section 514B-161 of the Act.

(b) Arbitration. At the request of any party, any dispute concerning or involving one or more Unit Owners and the Association, the Board, managing agent, or one or more other Unit Owners relating to the interpretation, application, or enforcement of the Act, the Declaration, these By-Laws, or the House Rules, shall be submitted to arbitration in accordance with Section 514B-162 of the Act. Nothing in this section shall be interpreted to require the arbitration of any dispute which is either exempt from arbitration pursuant to Section 514B-162 of the Act or determined to be unsuitable for arbitration pursuant to Section 514B-162 of the Act.

Section 10.8 Membership List. The resident manager or managing agent or Board of Directors shall keep an accurate and current list of members of the Association and their current addresses, the names and addresses of the vendees of any Unit under an agreement of sale, if any, and the names and addresses of Unit mortgagees, if any. The list shall be maintained at a place designated by the Board of Directors, and a copy shall be available, at cost, to any Unit Owner, provided the Unit Owner furnishes to the resident manager or managing agent or Board of Directors a

duly executed and acknowledged affidavit stating that the list (a) 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 (b) shall not be used by such owner or furnished to anyone else for any other purpose.

Each owner shall promptly record the Unit Deed or other conveyance to him of his Unit, and any mortgage of his interest in his Unit, and file a copy of such documents with the Board of Directors. Each vendor of a Unit under an agreement of sale shall promptly record the agreement of sale and file a copy of such document with the Board of Directors. Each Unit Owner, vendor, vendee and Unit mortgagee shall promptly notify the Board of Directors of any changes in his or its address.

Section 10.9 Owners May Incorporate. All of the rights, powers, obligations and duties of the Association imposed hereunder may be exercised and enforced by a nonprofit membership corporation, formed under the laws of the State of Hawaii for the purposes herein set forth by the Association. The corporation shall be formed upon the written approval of a majority of the Unit Owners. The formation of the corporation shall in no way alter the terms, covenants and conditions set forth herein, and these By-Laws shall be adopted by the corporation as its by-laws. The articles of incorporation of the corporation shall be subordinated hereto and controlled hereby. Any action taken by the corporation which is in violation of any or all of the terms, covenants or conditions contained herein, shall be void and of no effect.

Section 10.10 Notice. All notices to the Association shall be either mailed or delivered to the members of the Board of Directors at their respective addresses as shown an the membership list, or to such other address as the Board of Directors may designate by notice to all Owners and all Unit mortgagees. All notices to any Owner shall be either mailed or delivered to him at his address as shown on the membership list. All notices to Unit mortgagees shall be mailed to their respective addresses as shown on the membership list, or to such other addresses as designated by them by notice to the Board of Directors. All notices shall be in writing and service of such notice shall be deemed complete upon the earlier of the date of actual delivery or, if mailed, the third day after the date of mailing, except notices of addresses and changes of addresses, which shall be deemed to have been given when received.

Section 10.11 Captions. The captions of these By-Laws are inserted only as a matter of convenience and shall in no way define, limit or prescribe the scope of these By-Laws or the intent of any provision hereof.

Section 10.12 Pronouns. All pronouns used in these By-Laws include the male, female, and neuter genders and include the singular and plural numbers, as the case may be.

Section 10.13 Interpretation. The provisions of these By-Laws shall be liberally construed to effectuate the purpose of creating a uniform condominium project whereby

the owners of Units shall carry out and pay for the operation and maintenance of the Project as a mutually beneficial and efficient establishment.

Section 10.14 Severability. The provisions of these By-Laws shall be deemed independent and severable, and the invalidity or unenforceability of any one provision shall not affect the validity or enforceability of any other provision.

Section 10.15 Governing Law; Changes in Law. These By-Laws and the Declaration shall be governed by and shall be construed and interpreted under and pursuant to the laws of the State of Hawaii. In the event any change in the Act shall result in a conflict or inconsistency between the provisions of these By-Laws and the Act, the provisions of the Act shall prevail.

(The remainder of this page has intentionally been left blank)

IN WITNESS WHEREOF, the undersigned Declarant, being the owner of all Units of the Project, hereby adopts the foregoing as the By-Laws of the Association on the day and year first above written.

MICHAEL D. STYRING

KAREN M. STYRING

"Declarant"

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

On this 10th day of August, 2006, before me personally appeared MICHAEL D. STYRING, to me personally known, who being by me duly sworn or affirmed, did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

LS

Gloria J. Ah Nee
Print Name: GLORIA J. AH NEE
Notary Public, State of Hawaii

My commission expires: 3-26-07

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

On this 10th day of August, 2006, before me personally appeared KAREN M. STYRING, to me personally known, who being by me duly sworn or affirmed, did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

LS

Gloria J. Ah Nee
Print Name: GLORIA J. AH NEE
Notary Public, State of Hawaii

My commission expires: 3-26-07

EXHIBIT "A"

All of that certain parcel of land (being part of the land(s) described in and covered by Apana 45 of Land Commission Award 7713, Royal Patent 4475 to V. Kamamalu) situate, lying and being at Kaelepulu, Kailua, District of Koolaupoko, City and County of Honolulu, State of Hawaii, described as follows:

LOT 7, Block 8, of the "KAELEPULU SUBDIVISION EXTENSION", as delineated on Bishop Estate Map 3652-B filed in the Office of the Trustees of the Estate of Bernice Pauahi Bishop, deceased, and thus bounded and described:

Beginning at an iron pipe at the northeast corner of this lot, the northwest corner of Lot 8, and on the southerly side of Auwinala Road, the coordinates of said point of beginning referred to Government Survey Triangulation Station "Mokapu", being 23,160.30 feet south and 380.83 feet west, and running thence by azimuths measured clockwise from true South:

1.	12°	02'	30"	269.67	feet along Lot 8, Block 8, to an iron pin;
2.	117°	43'	30"	83.09	feet along Lot 16, Unit 5-B-3, File Plan 919, to an iron pin;
3.	192°	02'	30"	247.21	feet along Lot 6, Block 8, to an iron pin;
4.	282°	02'	30"	80.00	feet along the southerly side of Auwinala Road to the point of beginning and containing an area of 20,675 square feet, more or less.

BEING the same premises conveyed to Declarant by that certain Warranty Deed dated May 15, 2002, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2002-087524.

SUBJECT, HOWEVER, to:

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

2. Setback for building purposes contained in that certain Deed dated November 16, 1988, recorded in said Bureau of Conveyances in Liber 22680, Page 731.

3. Covenants, conditions and restrictions (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as set forth in that certain Declaration of Protective Provisions dated July 21, 1978, recorded in said Bureau of Conveyances in Liber 13037, Page 651.

4. Encroachment Agreement and License dated February 8, 2000, recorded in said Bureau of Conveyances as Document No. 2000-023574.

5. Encroachment Agreement and License (Tile Wall) dated May 15, 2002, recorded in said Bureau of Conveyances as Document No. 2002-087523.

6. Mortgage dated May 9, 2002 in favor of American Savings Bank, F.S.B., a federal savings bank, recorded in said Bureau of Conveyances as Document No. 2002-087525.

7. Easement(s) as set forth in a document in favor of Hawaiian Electric Company, Inc., a Hawaii corporation, and Verizon Hawaii Inc., a Hawaii corporation, now known as Hawaiian Telcom Inc., recorded January 21, 2003 in said Bureau of Conveyances as Document No. 2003-010178.

8. Mortgage dated October 29, 2004 in favor of American Savings Bank, F.S.B., a federal savings bank, recorded in said Bureau of Conveyances as Document No. 2004-223505.

NOTE: There is hereby omitted from any covenants, conditions and reservations contained herein any covenants or restrictions, if any, based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law.

END OF EXHIBIT "A"