

**DEVELOPER'S PUBLIC REPORT
FOR A CONDOMINIUM**

CONDOMINIUM PROJECT NAME	HAUULA OCEANSIDE VILLAS
Project Address	53-018 Pokiwai Place, Hauula, Hawaii 96717
Registration Number	6267 (Conversion)
Effective Date of Report	June 19, 2007
Developer(s)	Richard William Paddock, Jr., Marci Elaina Paddock, and Joshua William Paddock

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; and (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, including any omitted material facts, 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

[Use this page for special or significant matters which should be brought to the purchaser's attention and that are not covered elsewhere in this report.]

The Developer has disclosed the following:

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

2. No warranties are given to the purchaser as to the construction, materials or workmanship of the Project. The Project is being sold in "as is, where is" condition.

3. A prospective purchaser of a Unit in the Project who wishes to improve or modify his or her Unit or change its use, should be aware that he or she will be required to comply with the building codes, land use laws (LUO) and other county laws and ordinances. The LUO, for example, contains restrictions relating to the permissible use of the land, the number of dwelling units permitted, and the amount of total development permitted on the entire Project land area. Before buying a Unit in the Project, a prospective purchaser, together with an architect or professional builder is urged to review the LUO and all other applicable County ordinances which may affect the Purchaser's use of his or her Unit and to review their intended plans with the appropriate County officials. The Developer disclaims all warranties with respect to Purchaser's being able to use the Unit for his or her intended purposes.

4. This public report does not constitute approval of the Project by the Real Estate Commission, or any other government agency.

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

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General Information On Condominiums

A condominium is a special form of 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 being concurrently delivered to you with 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

1.1 The Underlying Land

Fee Simple or Leasehold Project	<input checked="" type="checkbox"/> Fee Simple	<input type="checkbox"/> Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Fee Owner's Name if Developer is not the Fee Owner		
Address of Project	53-018 Pokiawai Place, Hauula, Hawaii 96717	
Address of Project is expected to change because	No change is expected.	
Tax Map Key (TMK)	(1) 5-3-014-026	
Tax Map Key is expected to change because	Individual CPR numbers will be assigned to each Unit.	
Land Area	10,215 square feet	
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	N/A	

1.2 Buildings and Other Improvements

Number of Buildings	2
Floors Per Building	1
Number of New Building(s)	0
Number of Converted Building(s)	2 (1 dwelling, 1 shed)
Principal Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	Unit A (dwelling) - Wood, wood siding, glass & asphalt shingle roof; Unit B (storage shed) - Wood siding, glass, asphalt shingle roofing & corrugated fiberglass roof.

1.3 Unit Types and Sizes of Units

Unit Type	Quantity	BR/Bath	Net Living Area	Net Other Areas	Other Areas (lanai, garage, etc.)	Total Area
A	1	2/1	735	224/117	Garage/Porch (2)	1076
B(shed)	1	0/1	0	296/100	Storage Room/ Exterior Storage	396
See Exhibit ---						

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:	2
Number of Guest Stalls in the Project:	0
Number of Parking Stalls Assigned to Each Unit:	*See page 18 for further explanation.
Attach Exhibit ____ 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.	

1.5 Boundaries of the Units

Boundaries of the unit: See Exhibit A.

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 B.

1.7 Common Interest

Common Interest: Each unit will have a percentage interest in the common elements appurtenant to each unit. This interest is called the "common interest". It is used to determine each unit's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by unit owners. The common interest for each unit in this project, as described in Declaration, is:
Described in Exhibit ____.
As follows: Each unit has an undivided fifty percent (50%) interest in the common elements.

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

<input type="checkbox"/>	Swimming pool
<input type="checkbox"/>	Laundry Area
<input type="checkbox"/>	Storage Area
<input type="checkbox"/>	Tennis Court
<input type="checkbox"/>	Recreation Area
<input type="checkbox"/>	Trash Chute/Enclosure(s)
<input type="checkbox"/>	Exercise Room
<input type="checkbox"/>	Security Gate
<input type="checkbox"/>	Playground
<input checked="" type="checkbox"/>	Other (describe): Cesspool system.

1.9 Common Elements

<p>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.</p>	
<p>Described in Exhibit _____.</p>	
<p>Described as follows:</p> <p>(a) The Land in fee simple.</p> <p>(b) All pipes, wires, conduits, cables, and other utility and service lines, including the existing cesspool system, which are utilized for or serve both Units.</p> <p>(c) Any and all other apparatus and installations of common use, and all other parts of the Project necessary or convenient to its existence, maintenance, and safety, or normally in common use.</p>	
Common Element	Number
Elevators	0
Stairways	0
Trash Chutes	0

1.10 Limited Common Elements

<p>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.</p>
<p>Described in Exhibit C _____.</p>
<p>Described as follows:</p>

1.11 Special Use Restrictions

<p>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.</p>	
<input type="checkbox"/>	Pets:
<input type="checkbox"/>	Number of Occupants:
<input checked="" type="checkbox"/>	Other: Residential purposes only, unless other uses are permitted by law.
<input type="checkbox"/>	There are no special use restrictions.

1.12 Encumbrances Against Title

<p>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).</p>
<p>Exhibit D _____ describes the encumbrances against title contained in the title report described below.</p>
<p>Date of the title report: February 25, 2007</p>
<p>Company that issued the title report: Pacific Access Title, LLC</p>

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
<input checked="" type="checkbox"/>	Residential	1	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No		R-5
<input type="checkbox"/>	Commercial		<input type="checkbox"/> Yes	<input type="checkbox"/> No		
<input type="checkbox"/>	Mix Residential/Commercial		<input type="checkbox"/> Yes	<input type="checkbox"/> No		
<input type="checkbox"/>	Hotel		<input type="checkbox"/> Yes	<input type="checkbox"/> No		
<input type="checkbox"/>	Timeshare		<input type="checkbox"/> Yes	<input type="checkbox"/> No		
<input type="checkbox"/>	Ohana		<input type="checkbox"/> Yes	<input type="checkbox"/> No		
<input type="checkbox"/>	Industrial		<input type="checkbox"/> Yes	<input type="checkbox"/> No		
<input type="checkbox"/>	Agricultural		<input type="checkbox"/> Yes	<input type="checkbox"/> No		
<input type="checkbox"/>	Recreational		<input type="checkbox"/> Yes	<input type="checkbox"/> No		
<input checked="" type="checkbox"/>	Other(specify) (shed)	1	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No		R-5
Is/Are this/these use(s) specifically permitted by the project's Declarations or Bylaws?			<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No		
Variances to zoning code have been granted.			<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No		
Describe any variances that have been granted to zoning code.						

1.14 Other Zoning Compliance Matters

Conforming/Non-Conforming Uses, Structures and Lots
<p>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.</p> <p>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.</p> <p>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.</p>

	Conforming	Non-Conforming	Illegal
Uses	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Structures	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lot	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p>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:</p> <p>Unit A encroaches into the required front yard setback and is considered nonconforming (spacing). If the structure is destroyed by any means to an extent of more than 50% of its replacement cost at the time of destruction, it shall not be reconstructed except in conformity with the Land Use Ordinance.</p>
--

1.15 Conversions

<p>Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.</p>	<p><input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not Applicable</p>
<p>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: In accordance with the report dated December 11, 2006, prepared by Michael D. Lau, Professional Architect , a copy of which is attached as Exhibit E, the condition of the buildings was consistent with their age.</p>	
<p>Developer's statement of the expected useful life of each item reported above: No representation is made as to the expected useful life of the structural components and/or the mechanical and electrical installations.</p>	
<p>List of any outstanding notices of uncured violations of any building code or other county regulations: None.</p>	
<p>Estimated cost of curing any violations described above: N/A</p>	

<p>Verified Statement from a County Official</p>
<p>Regarding any converted structures in the project, attached as Exhibit <u>F</u> is a verified statement signed by an appropriate county official which states that either:</p> <p>(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:</p> <ul style="list-style-type: none"> (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; <p>or</p> <p>(B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.</p>
<p>Other disclosures and information:</p>

1.16 Project In Agricultural District

<p>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.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>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? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation.</p>	
<p>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? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.</p>	
<p>Other disclosures and information:</p>	

1.17 Project with Assisted Living Facility

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

2. PERSONS CONNECTED WITH THE PROJECT

<p>2.1 Developer(s)</p>	<p>Name: Richard William Paddock, Jr., Marci Elaina Paddock & Joshua William Paddock</p> <p>Business Address: 55-089 Naupaka Drive, Laie, Hawaii 96762</p> <p>Business Phone Number: 808-381-7806 E-mail Address: MarciP@cbpacific.com</p>
<p>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).</p>	
<p>2.2 Real Estate Broker</p>	<p>Name: Coldwell Banker Pacific Properties Business Address: 629 Kailua Road, Kailua, Hawaii 96734</p> <p>Business Phone Number: 808-261-3314 E-mail Address:</p>
<p>2.3 Escrow Depository</p>	<p>Name: Pacific Access Escrow Company, Inc. Business Address: 1314 South King Street, #200, Honolulu, HI 96814</p> <p>Business Phone Number: 808-748-2016</p>
<p>2.4 General Contractor</p>	<p>Name: None Business Address:</p> <p>Business Phone Number:</p>
<p>2.5 Condominium Managing Agent</p>	<p>Name: None. Self managed by the Association. Business Address:</p> <p>Business Phone Number:</p>
<p>2.6 Attorney for Developer</p>	<p>Name: Jennifer A. Aquino, AAL ALC Business Address: 1188 Bishop Street #3009, Honolulu, HI 96813</p> <p>Business Phone Number: 808-526-9400</p>

3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

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

3.1 Declaration of Condominium Property Regime

The Declaration of Condominium Property Regime contains a description of the land, buildings, units, common interests, common elements, limited common elements, and other information relating to the condominium project.		
Land Court or Bureau of Conveyances	Date of Document	Document Number
Land Court & Bureau	December 4, 2006	3557168 & 2007-023754

Amendments to Declaration of Condominium Property Regime		
Land Court or Bureau of Conveyances	Date of Document	Document Number
Land Court & Bureau	April 25, 2007	3595560 & 2007-078470

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
Land Court & Bureau	December 4, 2006	3557169 & 2007-023755

Amendments to Bylaws of the Association of Unit Owners		
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	1865	
Bureau of Conveyances Map Number	4380	
Dates of Recordation of Amendments to the Condominium Map: April 25, 2007		

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		<input type="checkbox"/>
Have Been Adopted and Date of Adoption		<input type="checkbox"/>
Developer does not plan to adopt House Rules		<input checked="" type="checkbox"/>

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

<input type="checkbox"/>	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
<input checked="" type="checkbox"/>	<p>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:</p> <p>See Exhibit G.</p>

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):

<input type="checkbox"/>	Not affiliated with the Developer
<input checked="" type="checkbox"/>	None (self-managed by the Association)
<input type="checkbox"/>	The Developer or an affiliate of the Developer
<input type="checkbox"/>	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 H ___ 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:

<input type="checkbox"/>	Electricity for the common elements
<input type="checkbox"/>	Gas for the common elements
<input checked="" type="checkbox"/>	Water
<input type="checkbox"/>	Sewer
<input type="checkbox"/>	TV cable
<input checked="" type="checkbox"/>	Other (specify) Cesspool system maintenance as needed

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:

<input checked="" type="checkbox"/>	Electricity for the Unit only
<input type="checkbox"/>	Gas for the Unit only
<input type="checkbox"/>	Water
<input type="checkbox"/>	Sewer
<input checked="" type="checkbox"/>	TV cable
<input type="checkbox"/>	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:	
<input checked="" type="checkbox"/>	Specimen Sales Contract Exhibit I ___ contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.
<input checked="" type="checkbox"/>	Escrow Agreement dated: January 18, 2007 Name of Escrow Company: Pacific Access Title, LLC Exhibit J ___ contains a summary of the pertinent provisions of the escrow agreement.
<input type="checkbox"/>	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.

<input type="checkbox"/>	The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B.
<input type="checkbox"/>	Developer has designated the units for sale to Owner-Occupants in this report. See Exhibit ____.
<input type="checkbox"/>	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.

<input type="checkbox"/>	There are <u>no blanket liens</u> affecting title to the individual units.
<input checked="" type="checkbox"/>	There are <u>blanket liens</u> 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	Purchaser's interest may be terminated and Purchaser may be entitled to a refund, less any escrow cancellation fees.

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: None.
Building and Other Improvements: None. Units will be sold "as is".
Appliances: None. Units will be sold "as is".

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

Status of Construction: Unit A was relocated in 1966 and Unit B was relocated in 1969.
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

<input checked="" type="checkbox"/>	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.
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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):

<input type="checkbox"/>	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
<input type="checkbox"/>	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):

<p>Box A</p> <p><input type="checkbox"/></p>	<p>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.</p> <p>If Box A is checked, you should read and carefully consider the following notice, which is required by law:</p> <p><u>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.</u></p>
<p>Box B</p> <p><input type="checkbox"/></p>	<p>The Developer has <u>not</u> 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.</p> <p>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 <u>Important Notice Regarding Your Deposits</u> 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, <u>you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment.</u> (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.</p> <p>You should understand that, although the <u>Important Notice Regarding Your Deposits</u> 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.</p>

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 514B, 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 and 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 Is 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

PARKING. Unit A has 2 parking stalls. One compact stall located with in the Garage attached to said Unit and One-tandem regular stall. See Exhibit F regarding the unpaved parking space being considered non-conforming. Unit B is a shed and currently does not have specified parking. However, parking is permitted within the limited common element area appurtenant to Unit B.

HAZARDOUS MATERIALS: The developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Buyer acknowledges that in light of the age of the Project, there may be asbestos and other hazardous substances in the apartments, or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment inspected to determine the extent (if any) of such contamination and any necessary remedial action. The developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the developer from any liability to Buyer if any hazardous materials are discovered.

LEAD WARNING STATEMENT: Pursuant to federal law, 42, U.S.C 4852(d), the Residential Lead-Based Paint Reduction Act, "Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase."

DEVELOPER'S ADDITIONAL DISCLOSURES: Disclosure is hereby made that the developer, Marci Elania Paddock, holds an active real estate broker's license in the State of Hawaii and is an agent with Coldwell Banker Pacific Properties, the real estate company handling the sale of the units.

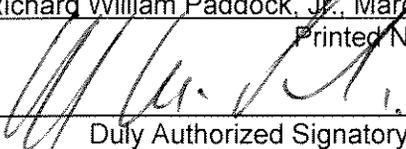
EXISTING STREAM; FLOOD HAZARD ZONE: Disclosure is made that a stream runs through a portion of the limited common element area appurtenant to Unit B, as shown on the Condominium Map. The property upon which the Project is situated is located within the boundaries of a special flood hazard area as officially designated on the Flood Insurance Administration maps promulgated by the appropriate Federal agencies for the purposes of determining eligibility for emergency flood insurance programs. As such, the purchaser of a Unit shall be responsible for verifying the Unit is in a recognized flood area or zone and the flood insurance requirements.

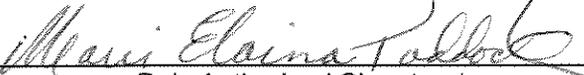
CESSPOOL SYSTEM AND LIMITATION ON NUMBER OF BEDROOMS PER UNIT PER SEPTIC TANK SYSTEM. Unit A and Unit B currently share use of a single cesspool system located on the limited common elements appurtenant to Unit B. While servicing both Units, the maintenance of the single cesspool system will be shared by the owners as needed. If, as a condition to removing, redesigning or replacing either Unit as allowed in Section Q of the Declaration, the installation of a new, single wastewater system is required by the governmental agency as a condition for approving the removal, redesign or replacement, the cost of installing the new, single wastewater system will be borne by the owner of the Unit seeking removal, redesign or replacement. The owner of the other Unit will be responsible for the cost to connect his or her Unit to the new, single wastewater system. Hawaii Administrative Rules, Section 11-62-31.1 currently restricts the number of bedrooms served by one individual wastewater system to a total of five (5) bedrooms. Therefore, as long as the Units are serviced by a single wastewater system and are subject to the requirements of Section 11-62-31.1, H.A.R., or other applicable governmental restrictions, Section S of the Declaration provides that the owner of Unit A is restricted to redesigning, improving, renovating, adding to or replacing his or her Unit with a Unit containing no more than two (2) bedrooms, and the owner of Unit B is restricted to redesigning, improving, renovating, adding to or replacing his or her Unit with a Unit containing no more than three (3) bedrooms. Buyers are encouraged to carefully review Section Q of the Declaration and to consult with legal counsel, architects and/or engineers, and the appropriate governmental agencies regarding the implications of the restrictions and provisions that pertain to the Units and the Project.

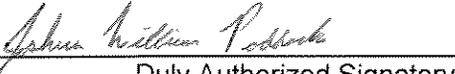
The Developer declares subject to the penalties set forth in Section 514B-69, HRS, that this project conforms to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located,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

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 Section 1.15 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 and include either or all material facts, material or pertinent changes to any information contained in or omitted from this report and to file annually a report to update the material contained in this report at least 30 days prior to the anniversary date of the effective date of this report.

Richard William Paddock, Jr., Marci Elaina Paddock, and Joshua William Paddock
Printed Name of Developer
By:  12-04-06
Duly Authorized Signatory* Date

Richard William Paddock, Jr., owner
Printed Name & Title of Person Signing Above
By:  12-04-06
Duly Authorized Signatory* Date

Marci Elaina Paddock, owner
Printed Name & Title of Person Signing Above
By:  12/4/2006
Duly Authorized Signatory* Date

Joshua William Paddock, owner
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

***Must be signed for a corporation by an officer; for a partnership or limited liability partnership (LLP) by the general partner; for a limited liability company (LLC) by the manager or an authorized member; and for an individual by the individual.**

EXHIBIT A

BOUNDARIES OF THE UNITS

Section A.1 of the Declaration states that two (2) separate and distinct freehold estates, deemed to include the entire structure and all improvements located therein, are bounded by and including the decorated or finished surfaces of the exterior of the perimeter walls, including all exterior doors and windows, by the exterior surfaces of the respective roofs thereof, and inclusive of the floor and ceiling of each of the buildings in the Project, together with any entries, porches, steps, stairs, lanais, decks, laundry areas, carports, or other improvements physically attached to the building.

(a) Unit A contains one-story in which there is a Front Porch, a Living/Dining Room, a Kitchen, two (2) Bedrooms, a Rear Porch, and a Garage providing covered parking for one (1) compact parking space, as shown on said Condominium Map. The second parking stall for Unit A is an open tandem parking space located in the front of the Garage. Unit A contains a net living area of approximately 735 square feet. The Garage contains approximately 224 square feet and the Front and Rear Porch contain approximately 117 square feet.

(b) Unit B contains one story, and is a storage room with one (1) bath, and Exterior Storage. Unit B consisting of approximately 296 square feet and the Exterior Storage contains approximately 100 square feet, as shown on said Condominium Map.

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

The Developer or any owner of a Unit has the reserved right to renovate or remove any Unit or a portion thereof, and to rebuild, renovate or add to said Unit as provided for in Section Q, of the Declaration.

EXHIBIT B

PERMITTED ALTERATIONS TO THE UNITS

Section L of the Declaration provides that no work shall be done to the Units, the limited common elements appurtenant thereto, or any other part of the Project, by any owner of a Unit or any other person, which could jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement, as reasonably determined by the Board. No Unit owner may make or allow any material additions or alterations, or excavate a basement or cellar, without first obtaining: i) the written consent of sixty-seven percent (67%) of the Unit owners, ii) consent of all owners whose Units and/or limited common elements are directly affected thereby, and iii) the approval of the Board, which shall not be unreasonably withheld. Except as otherwise provided by law, and subject to the requirements set forth in Section Q of the Declaration, all other additions to or alterations of any Unit or its appurtenant limited common elements by the owner of such Unit shall be permitted without restriction, provided that the owner or other person making such additions or alterations shall comply strictly with all applicable laws, ordinances, rules and regulations of any governmental entity, and shall also obtain all necessary permits, at such owner or person's sole expense.

In addition to the foregoing limitations, no owner shall also be allowed, without the express written consent of the other owners, to construct any addition or alteration which would cause his or her Unit to exceed the proportionate share of the maximum allowable floor area and/or buildable area for the lot. Said proportionate share shall be equal to the maximum floor area for the lot multiplied by the percentage of common interest in the Project appurtenant to such Unit.

The owner of a Unit in the Project, including the Developer herein if an owner of a Unit, shall have the right, with the consent of any mortgagee affecting said Unit, to remove, redesign, improve, renovate, make additions to, enlarge, replace with a new Unit, or restore his or her Unit on the limited common elements appurtenant to such Unit at such Unit owner's sole option at any time and from time to time, without the consent of the Association, the other owners of Units, any lien holder thereof, or anyone with an interest in the Project, and pursuant to plans and conditions set forth in Section Q of the Declaration.

EXHIBIT C

LIMITED COMMON ELEMENTS

Section A.3 of the Declaration provides that certain parts of the common elements are aside and reserved for the exclusive use of the Units and shall constitute limited common elements appurtenant thereto. Each Unit shall have an exclusive easement for the use of the limited common elements appurtenant thereto, except as otherwise provided in the Declaration. The cost of maintenance, repair, upkeep, and replacement of each limited common element shall be assessed to the owner of the Unit to which such limited common element is appurtenant. The limited common elements shall be appurtenant to each of the Units as follows:

(a) That certain 2,362 square feet, more or less, of the real property of the Project which includes the real property upon which Unit A is situated, as shown on said Condominium Map, inclusive of the airspace located above such area, shall constitute a limited common element appurtenant to and for the exclusive use of Unit A.

(b) That certain 7,853 square feet, more or less, of real property of the Project which includes the real property upon which Unit B is situated, inclusive of the airspace located above such area, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit B.

(c) Unit A shall have appurtenant thereto one (1) parking space located within the limited common element area of said Unit, as shown on said Condominium Map. Unit B is currently a storage structure and parking for said Unit is located within the limited common element area appurtenant to said Unit.

(d) All pipes, wires, conduits, cables, and other utility and service lines not contained within a Unit but used by and servicing only one (1) Unit shall be a limited common element appurtenant to and for the exclusive use of the Unit using and serviced exclusively by such pipes, wires, conduits, and other utility and service lines.

EXHIBIT D

ENCUMBRANCES AGAINST TITLE

1. For Real Property Taxes due and owing, reference is made to the Budget and Fiscal Services, Real Property Assessment Division, City and County of Honolulu.
2. AS TO LOT C (PARCEL SECOND) ONLY:
Title to all mineral and metallic mines reserved to the State of Hawaii.
3. AS TO LOT 77 (PARCEL FIRST) ONLY:
An unidentified line crossing said Lot 77, as shown on tax map.
4. AS TO THE UNDIVIDED INTEREST IN LOT 52 ONLY:
 - a. A private easement for a road, running in favor of the owners of the premises designated on Map 1 of Application No. 124 as Exception 4 (L. C. A. 4331, Apana 4), sufficiently wide for the passage of vehicles between the public highway at the beach and the said premises (Exception 4), along and near a fence designated on the map as marking a line beginning at a point on the west side of the highway and running 68° 30' 480.8 feet along the north side of Lot No. 7 to the west corner of said Lot No. 7, and into the premises aforesaid.
 - b. Perpetual easement for road purposes in favor of other owners of lots of said Application No. 124, as granted in Deeds noted on Transfer Certificate of Title Nos. 13,122, 13,270, 15,674 and 17,398.
 - c. Rights of ingress and egress in favor of others entitled thereto.
5. Terms, provisions, reservations, covenants, conditions and restrictions, but deleting any of the aforementioned indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Chapter 515 of the Hawaii Revised Statutes, as contained in the Deed recorded as Book 4411 Page 351 and Land Court Document No. 299535 of Official Records.
6. Mortgage
Dated: March 17, 2006
Mortgagor: Richard William Paddock, Jr. and Marci Elaina Paddock, husband and wife, and Joshua William Paddock, husband of Noemi Tolentino Paddock
Mortgagee: Mortgage Electronic Registration Systems, Inc., solely as nominee for First Magnus Financial Corporation, an Arizona corporation
Recorded March 31, 2006 as Regular System Document No. 2006-061298 and Land Court Document No. 3411621 of Official Records.
7. Mortgage
Dated: March 17, 2006
Mortgagor: Richard William Paddock, Jr. and Marci Elaina Paddock, husband and wife, and Joshua William Paddock, husband of Noemi Tolentino Paddock
Mortgagee: Mortgage Electronic Registration Systems, Inc., solely as nominee for First

Magnus Financial Corporation, an Arizona corporation
Recorded March 31, 2006 as Regular System Document No. 2006-061299 and Land Court Document No. 3411622 of Official Records.

8. Regular System Condominium Map No. 4380 and Land Court Condominium Map No. 1865.
9. The terms and provisions contained in or incorporated by reference in the Declaration of Condominium Property Regime, as may be amended. Said Declaration was recorded February 7, 2007 as Regular System Document No. 3557168 and Land Court Document No. 2007-023754 of Official Records. Amendment to the Declaration of Condominium Property Regime of Hauula Oceanside Villas dated April 25, 2007 recorded as Regular System Document No. 2007-078470 and as Land Court Document No. 3595560.
10. The terms and provisions contained in or incorporated by reference in the Condominium By-Laws, as may be amended. Said By-Laws were recorded February 7, 2007 as Regular System Document No. 3557169 and Land Court Document No. 2007-023755 of Official Records.

Page 2 and End of EXHIBIT "D"

ARCHITECT / ENGINEER INSPECTION REPORT
(conversion)

December 11, 2006

Real Estate Commission
Department of Commerce and Consumer Affairs
State of Hawaii
Seventh Floor, 1010 Richards Street
Honolulu, HI 96813

RE: **"Hauula Oceanside Villas"**
Address **53-018 Pokiwai Place, Hauula, HI 96717**
Unit Number: **Unit A and Unit B**
TMK: **(1) 5-3-014:026**

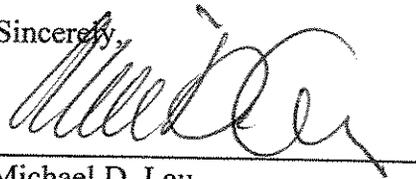
Submission for Final Public Report

Dear Commissioners:

The undersigned, being Registered Professional Architect, number 8385 in the State of Hawaii, hereby declares as follows:

1. On May 16, 2006, I examined the residential structures of the above referenced property.
2. Without invasive examination of covered components, my observations during this inspection are that the condition of the buildings appears to be commensurate with its age.

Sincerely,



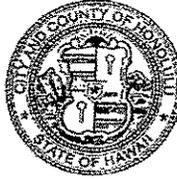
Michael D. Lau
Registered Professional
Architect No. 8385

EXHIBIT E

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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MUFI HANNEMANN
MAYOR



HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUÉ
DEPUTY DIRECTOR

2006/ELOG-1043(LT)

September 27, 2006

Ms. Marci Paddock
55-089 Naupaka Street
Laie, Hawaii 96762

Dear Ms. Paddock:

Re: Condominium Conversion Project
53-18 Pokiwal Place
Tax Map Key: 5-3-014: 026

This is in response to your letter dated May 3, 2006, requesting verification that the structures on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the one-story single-family detached dwelling and the storage structure with one (1) all-weather-surface parking space and one (1) unpaved off-street parking space met all applicable code requirements when they relocated in 1966 (Building Permit No. R-1397) and in 1969 (Building Permit No. R-599), respectively, on this 10,215 square-foot R-5 Residential District zoned lot.

Inspection on July 28, 2006 revealed that the storage structure was converted into a single-family dwelling without a building permit.

A re-inspection on September 15, 2006 revealed the above-mentioned deficiency has been corrected. The single-family dwelling has been converted back to a storage structure.

Investigation also revealed the following:

- 1) The one (1) unpaved off-street parking space is considered nonconforming because it lacks the required all-weather surface.
- 2) The front dwelling, which encroaches into the required front yard setback, is considered a nonconforming structure (spacing). If the structure is destroyed by any means to an extent of more than fifty percent (50%) of its replacement cost at the time of destruction, it shall not be reconstructed except in conformity with Article 4 and other provisions of the Land Use Ordinance.

EXHIBIT F

Ms. Marci Paddock
September 27, 2006
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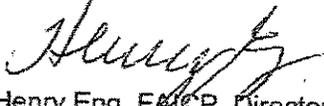
For your information, the Department of Planning and Permitting cannot determine all other legal nonconforming uses or structures, as a result of the adoption or amendment of any ordinance or code.

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
Director of Planning and Permitting

HE:ft

doc481767

EXHIBIT G

DEVELOPER'S RESERVED RIGHTS TO CHANGE PROJECT AND DOCUMENTS

The Developer has reserved the following rights to change the Project and/or the Project documents:

1. Section C of the Declaration provides that at any time prior to the closing of the last sale of a Unit in the Project, the Developer has reserved the right to: (1) to grant easements over, across, and under the common elements, including, without limitation, easements for utilities, sanitary and storm sewers, cable television, walkways, roadways and rights-of-way, and (2) to relocate or realign any existing easements and rights-of-way over, across, and under the common elements, including, without limitation, any existing utilities, sanitary and sewer lines, and cable television lines, and connect same, over, across, and under the common elements, provided that such easements and such relocations and connections of lines shall not materially impair or interfere with the use of any Unit.
2. Section M of the Declaration provides that notwithstanding the sale and conveyance of any Unit in the Project, while the Developer retains any interest in the Project, the Developer may, without the consent or joinder of any Unit owner, lienholder thereof, or other person or entity, amend this Declaration, the By-Laws, and/or the Condominium Map to effect any changes or amendments required by law, any title insurance company, or any institutional mortgagee, or as may be required by any governmental or quasi-governmental agency. Each and every party acquiring an interest in the Project, shall, by virtue of such acquisition, consent to such amendments by the Developer, and agrees to execute and deliver such documents and instruments and do all such things necessary and/or convenient to effect the same, and hereby appoints the Developer and its assigns as his or her attorney-in-fact, with full power of substitution to execute, deliver and record 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 term of such reserved rights and shall not be affected by any disability of the party or parties. In addition, at anytime prior to the first recording in the Bureau of Conveyances and/or Office of the Assistant Registrar of the Land Court, State of Hawaii, as the case may be, of a conveyance or transfer of a Unit in the Project to any person other than the Developer, the Developer may amend the Declaration, and any of the Exhibits hereto, the By-Laws, and/or the Condominium Map in any manner, without the consent of any purchaser or any other party. No amendment to the Declaration and/or the By-Laws which adversely impacts or negates, or attempts to negate any of the rights reserved by the Developer shall be valid without the expressed written consent of the Developer, Developer's successors and assigns, and contained in said amendment.
3. Any Unit owner, including the Developer herein if an owner of a Unit, shall have the right, with the consent of any mortgagee affecting said Unit, to remove, redesign, improve, renovate, make additions to, enlarge, replace with a new Unit, or restore his or her Unit on the limited common elements appurtenant to such Unit at such Unit owner's sole option at any time and from time to time, without the consent of the Association, the other owners of Units, any lien holder thereof, or anyone with an interest in the Project, and pursuant to plans and conditions set forth in Section Q of the Declaration.

EXHIBIT H

ESTIMATE OF INITIAL MAINTENANCE FEES

Estimate of Initial Maintenance Fees:

<u>Unit</u>	<u>Monthly Fee</u> x 12 months = <u>Yearly Total</u>
Unit A	20.00 X 12 = \$ 240.00*
Unit B	20.00 X 12 = \$ 240.00*

* NOTE: Water and sewer are currently shared between Unit A and Unit B. The existing cesspool system is shared by both Units and maintenance will be shared between the Units as needed.

The Developer has not conducted a reserve study in accordance with Section 514B-148, Hawaii Revised Statutes, and the replacement reserve rules, Subchapter 5, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

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

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services

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

40.00 X 12 = 480.00

Maintenance, Repairs and Supplies

Building

Grounds

Management

Management Fee

Payroll and Payroll Taxes

Office Expenses

Insurance

Reserves(*)

Taxes and Government Assessments

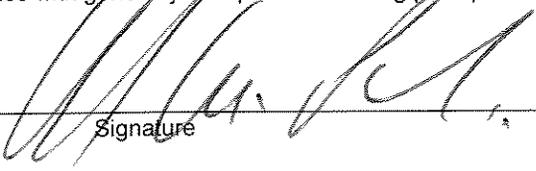
Audit Fees

Other

TOTAL

\$ 480.00

I, Richard William Paddock, Jr., as Developer, for the
"HAUULA OCEANSIDE VILLAS" 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.



Signature

12-04-06

Date

EXHIBIT I - SUMMARY OF SALES CONTRACT

The specimen Deposit Receipt Offer and Acceptance and addendum (herein the "Agreement") contains, among other things, the following provisions:

1. Risk of Loss. Risk of loss to the Unit shall be borne by Seller until the Date of Closing; thereafter, such risk of loss shall be borne by Buyer.
2. Time is of the Essence; Default. Section 10 of the Agreement provides that time is of the essence of the obligations of Buyer under the Agreement. Buyer shall be in default under the Agreement if Buyer fails to make a payment when due or if Buyer fails to perform any other required obligation and such failure continues for fifteen (15) days after Seller gives written notice to Buyer of such failure. Any such notice shall be sent by certified or registered mail and shall be deemed given upon deposit in the United States mail, even if Buyer does not sign a return receipt for the mail. In the event of any such default, Seller may, at Seller's option, terminate the Agreement by written notice to Buyer. In the event of such termination, the parties understand and agree that in view of Seller's financial commitments with respect to the Project; the connection between the sale, cancellation or default with respect to one unit and the sale, cancellation or default with respect to other units in the Project; and the nature of the real estate market in Hawaii, that the injury to Seller will be uncertain as to nature and amount and difficult to ascertain. As a reasonable estimate of Seller's damages resulting from such termination, the parties agree that the sums previously paid by Buyer under the Agreement shall belong to Seller as liquidated damages. If Seller does not terminate the Agreement on account of such default, then all costs, including reasonable attorneys' fees, incurred by reason of the default by Buyer shall be borne by Buyer, and Seller may pursue any and all other remedies on account of such default (other than termination of the Agreement) permitted by law or equity, including but not limited to specific performance.
3. Estimated Monthly Maintenance Charges; Collection of "Start-up" Fee. Buyer has examined and approved the estimate of monthly maintenance charges and assessments for the Unit as shown in the Public Report. Buyer is aware that such amounts are only estimates, and BUYER AGREES THAT SUCH ESTIMATES ARE NOT INTENDED TO BE AND DO NOT CONSTITUTE ANY REPRESENTATION OR WARRANTY BY SELLER, INCLUDING BUT NOT LIMITED TO ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF SUCH ESTIMATES. In addition to the Purchase Price, Buyer shall pay an additional sum at closing as Buyer's pro rata share of the HAUULA OCEANSIDE VILLAS' (the "Association") common expense reserve fund if requested by the Seller. This non-refundable, non-transferable "start-up" fee will become the property of the Association, and shall be in an amount which will be determined by Seller prior to closing. That amount will in no event be less than TWO (2) months estimated common expense assessments for the Unit, and not less than TWO (2) months estimated reserves, if any.
4. Conversion of Existing Building; No Warranties; Non-Conformities. Buyer is aware, agrees and affirms that the Project consists of a conversion of existing structures that were relocated in 1966 and 1969. Pursuant to the letter dated September 27, 2006 (the "DPP Letter"), issued by the Department of Planning and Permitting, City and County of Honolulu, State of Hawaii ("DPP") the one-story single-family detached dwelling (Unit A) and the storage structure (Unit B) met all applicable code requirements at the time they were relocated. Pursuant to the DPP Letter, Unit A encroaches into the required front yard setback and is considered a nonconforming structure (spacing). If Unit A is destroyed by any means to an extent of more than fifty percent (50%) of its replacement cost at the time of destruction, it shall not be reconstructed except in conformity with the land use laws (LUO). The Buyer of a Unit in the Project who wishes to improve or modify his or her Unit or change its use, should be aware that he or she will be required to comply with the building codes, LUO and other county laws and ordinances. The LUO, for example, contains restrictions relating to the permissible use of the land, the number of dwelling units permitted, and the amount of total development permitted on the entire Project land area. Buyer, together with Buyer's architect, engineer or professional builder, are urged to review the LUO and all other applicable County ordinances which may affect the Buyer's

use of the Unit and to review Buyer's intended plans with the appropriate County officials. Buyer, especially the Buyer of Unit B, is also encouraged to discuss with Buyer's architect, engineer or professional builder, the affect the presence of the existing stream, which runs through the limited common elements of Unit B, will have on Buyer's plans for the Unit. Seller disclaims all warranties with respect to Buyer's being able to use the Unit for his or her intended purposes. Seller gives no assurances or warranties that Buyer will be able to obtain building permits for a residence on the property, that the condition of the property is suitable for a residence, or that adequate utility services will be available to service the Unit. Buyer agrees, acknowledges and understands that the execution and recordation of the Condominium Unit Deed shall be construed as Buyer's acceptance of the property and its condition.

It is expressly understood and agreed by and between Seller and Buyer that SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNIT, THE PROJECT, INCLUDING THE COMMON OR LIMITED COMMON ELEMENTS, OR CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN THE UNIT OR IN THE PROJECT, INCLUDING BUT NOT LIMITED TO: A) ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE; B) THE WORKMANLIKE CONSTRUCTION, STRUCTURAL SOUNDNESS, CONDITION OR STATE OF REPAIR, OPERATING ORDER, SAFETY, LIVABILITY OF ANY IMPROVEMENT IN OR WITHIN THE PROJECT; AND C) WHETHER THE PROJECT, THE UNITS, OR ANY OF THE IMPROVEMENTS MEET THE REQUIREMENTS OF ANY BUILDING, ZONING, LAND USE, SET BACK, HEALTH OR OTHER LAW, ORDINANCE, OR RULE OR REGULATION WHICH MAY BE APPLICABLE TO THE PROJECT.

5. Existing "As Is" Condition. Buyer agrees the Unit is being purchased in its "AS IS" condition, without any warranties, expressed or implied. This means that all land, improvements (including but not limited to the roof, walls, foundations, soils, plumbing, electrical and mechanical systems, etc.) and real property and personal property (if any) are being purchased in their **EXISTING "AS IS" CONDITION, WITHOUT WARRANTY OR REPRESENTATIONS, EXPRESSED OR IMPLIED.** Buyer acknowledges that Buyer will be given an opportunity to inspect the Unit and by closing on the sale of the Unit, Buyer accepts the Unit in it's "AS IS" condition as provided for herein.

6. Reserved Rights to Change Units. The Declaration provides that the owner of any Unit in the Project, including the Seller, if an owner of a Unit in the Project, shall have the right, with the consent of any mortgagee affecting said Unit, to remove, redesign, improve, renovate, make additions to, enlarge, replace with a new Unit, or restore his or her Unit on the limited common elements appurtenant to such Unit, at such Unit owner's soled option at any time and from time to time, without the consent of the Association, the other Unit owner(s), any lien holder thereof, or anyone with an interest in the Project, and pursuant to plans, conditions and restrictions set forth in Section Q of the Declaration. SELLER MAKES NO WARRANTIES OR REPRESENTATIONS WITH RESPECT TO BUYER'S ABILITY TO USE THE UNIT FOR BUYER'S INTENDED PURPOSE. IF BUYER INTENDS TO IMPROVE OR MODIFY THE UNIT, BUYER WILL BE REQUIRED TO COMPLY WITH ALL APPLICABLE BUILDING AND ZONING CODES, LAND USE LAWS, AND OTHER COUNTY LAWS AND ORDINANCE. BUYER IS URGED TO CARFEULLY REVIEW THE LAND USE LAWS AND ALL OTHER APPLICABLE COUNTY ORDINANCES WHICH MAY AFFECT THE UNIT, WITH BUYER'S ARCHITECT, ENGINEER, PROFESSIONAL BUILDER, OR OTHER PROFESSIONAL CONSULTANT, TO DETERMINE WHETHER THE LAND USE LAWS AND ALL OTHER APPLICABLE COUNTY ORDINANCES MAY AFFECT BUYER'S INTENDED USE OF THE UNIT.

7. Mediation And Arbitration. If any dispute or claim in law or equity arises out of this Agreement, and Buyer and Seller are unable to resolve the dispute themselves, Buyer and Seller agree in good faith to attempt to settle such dispute or claim by mediation under the Commercial Mediation rules of the American Arbitration Association. If such mediation is not successful in resolving such dispute or claim, then such dispute or claim shall be decided by a neutral binding arbitration before a single arbitrator in accordance with the Commercial Arbitration rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator may award reasonable attorney's fees and costs to the prevailing party.

8. Shared Water Meter; Common Cesspool System. Buyer is aware that one water bill will be sent to the Association for payment which will be shared by the Units as a common expense. Buyer is also aware that Unit A and Unit B currently share use of a single cesspool system located on the limited common elements appurtenant to Unit B. While servicing both Units, the maintenance of the single cesspool system will be shared by the owners as needed. If, as a condition to removing, redesigning or replacing either Unit as allowed in Section Q of the Declaration, the installation of a new, single wastewater system is required by the governmental agency as a condition for approving the removal, redesign or replacement, the cost of installing the new, single wastewater system will be borne by the owner of the Unit seeking removal, redesign or replacement. The owner of the other Unit will be responsible for the cost to connect his or her Unit to the new, single wastewater system.

9. Limitation On Number Of Bedrooms Per Unit Per Septic Tank System. Hawaii Administrative Rules, Section 11-62-31.1 currently restricts the number of bedrooms served by one individual wastewater system to a total of five (5) bedrooms. Therefore, as long as the Units are serviced by a single wastewater system and are subject to the requirements of Section 11-62-31.1, H.A.R., Section S of the Declaration provides that the owner of Unit a is restricted to redesigning, improving, renovating, adding to or replacing his or her Unit with a Unit containing no more than two (2) bedrooms, and the owner of Unit B is restricted to redesigning, improving, renovating, adding to or replacing his or her Unit with a Unit containing no more than three (3) bedrooms. Buyers are encouraged to carefully review Section Q of the Declaration and to consult with legal counsel, architects and/or engineers, and the appropriate governmental agencies regarding the implications of these restrictions.

10. Developer's Public Report; Buyer's Right to Cancel or Rescind This Agreement. The Developer's Public Report for the Project has been issued by the Real Estate Commission. Buyer shall receive a copy of that document along with a Receipt For Developer's Public Report (the "Receipt") and a Notice Of Right To Cancel Sales Contract (the "Notice"). Buyer has the right to cancel the Sales Contract under the following conditions:

i) At any time within thirty (30) days following the date the Developer's Public Report is delivered to Buyer. If Buyer so cancels this Agreement, within the thirty (30) day period, Buyer will be entitled to receive a refund of any deposits, less any escrow cancellation fees and other costs up to \$250.00. If Buyer waives Buyer's right to cancel by checking the waiver box on the Notice, and executes and returns the Receipt and Notice within thirty (30) days after delivery to Buyer, this Agreement shall become a binding obligation on both parties immediately upon the return thereof. If Buyer does not return the Receipt and Notice within said thirty (30) day period, or if the Unit is conveyed to Buyer prior to expiration of that thirty (30) day period, then Buyer shall be deemed to have receipted for the Developer's Public Report and to have waived Buyer's right to cancel, thereby causing this Agreement to become a binding obligation on both parties; and

ii) Buyer shall have a thirty (30) day right to rescind this Agreement if there is a material change to the Project which directly, substantially and adversely affects the use or value of Buyer's Unit, the limited common elements appurtenant to the Unit, or the amenities in the Project available for Buyer's use. Seller shall deliver to Buyer a description of the material change and Buyer may waive Buyer's rescission right by either (a) checking the waiver box on the option to rescind, signing it and returning it to Seller; (b) letting the thirty (30) day rescission period expire without taking any action to rescind this Agreement; or (c) closing on the purchase of the Unit before the thirty (30) day rescission period expires. In order to be valid, the rescission form provided for herein must be signed by all Buyers and postmarked to Seller no later than midnight on the thirtieth (30th) calendar day after the date Buyer received the rescission form from Seller. If Buyer's rescission is valid, Buyer shall be entitled to a prompt and full refund of any deposits made by Buyer.

11. Assignment of this Agreement. Notwithstanding anything to the contrary contained in the DROA, Buyer may not assign its rights or obligations under this Agreement or any portion thereof without the prior written consent of Seller, which consent may be withheld and/or conditioned at Seller's sole discretion. Any assignment without Seller's prior written consent shall be null and void.

THIS SUMMARY IS A BRIEF DESCRIPTION OF SOME OF THE TERMS CONTAINED IN THE SALES CONTRACT. BUYER IS ADVISED TO CAREFULLY REVIEW THE ENTIRE SALES CONTRACT AND BECOME FAMILIAR WITH THE TERMS AND CONDITIONS CONTAINED THEREIN.

Page 4 and End of EXHIBIT "I"

EXHIBIT J - SUMMARY OF ESCROW AGREEMENT

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

1. Delivery of Sales Contracts to Escrow. As of when Seller shall enter into a sales contract for the sale of a unit in the Project, Seller shall deliver an executed copy of such sales contract to Escrow. Each sales contract shall specify the correct name(s) and address(es) of the purchaser(s), shall require that all payments to be made there under shall be made to Escrow and shall be accompanied by the initial deposit required there under.

2. Return of Purchaser's Funds and Documents.

(a) Cancellation, Termination or Rescission Unless otherwise provided in the Escrow Agreement, a purchaser shall be entitled to a return of such purchaser's funds held in escrow under a sales contract, and Escrow shall pay such funds to such purchaser, together with any interest which may have accrued to the credit of such purchaser, if any one of the following has occurred:

(1) Seller and purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held hereunder by Escrow; or

(2) Seller or purchaser shall have notified Escrow of Seller's or purchaser's exercise of an option to cancel the sales contract pursuant to any right of cancellation provided therein or otherwise available to Seller or purchaser; or

(3) The purchaser shall have notified Escrow of purchaser's exercise of purchaser's right to cancel or terminate the sales contract pursuant to HRS Section 514B-90; or

(4) The purchaser shall have notified Escrow of purchaser's exercise of purchaser's right to rescind the sales contract pursuant to HRS Section 514B-87.

(b) Refund; Cancellation Fee.

(1) In the event escrow receives notice of cancellation or termination of the sales contract pursuant to Sections 2.4(a)(1), (2) or (3), of the Escrow Agreement, Escrow shall, unless the purchaser has waived or has been deemed to have waived the right to a refund, pay said funds to purchaser (less any cancellation fee commensurate with the work done by Escrow prior to such cancellation and other costs associated with the purchase, up to a maximum of \$250.00); provided, however, that no refund shall be made to a purchaser at the purchaser's request prior to receipt by Seller of written notice from Escrow of Escrow's intent to make such refund.

(2) In the event Escrow receives notice of purchaser's election to rescind the sales contract pursuant to HRS Section 514B-87, Escrow shall promptly return all of said funds to purchaser; provided, however, that no refund shall be made to a purchaser at the purchaser's request prior to receipt by Seller of written notice from Escrow of Escrow's intent to make such refund.

3. Purchaser's Default. If the purchaser fails to make such payment to Escrow on or before the due date thereof or if the purchaser fails to perform in any manner that is being handled by Escrow, Escrow shall promptly notify Seller of any such failure on the part of the purchaser. If Seller subsequently certifies in writing to Escrow that Seller has terminated the Sales Contract in accordance with the terms thereof and provides to Escrow copies of all such notices of termination sent to the purchaser, Escrow shall thereafter treat all funds of the purchaser paid on account of such purchaser's Sales Contract as funds of Seller and not as funds of the purchaser. Thereafter, such funds shall be free of the escrow established by this Agreement and shall be held by Escrow for the account of Seller. Upon written request by Seller, Escrow shall thereupon be released from any further duties or liability thereunder with respect to such funds and such purchaser. The terms of this provision shall be included in the escrow agreement entered

into between Escrow, Seller and any purchaser in connection with a Sales Contract between Seller and such purchaser for a unit in the Project.

THE ESCROW AGREEMENT CONTAINS VARIOUS OTHER PROVISIONS AND ESTABLISHES CERTAIN CHARGES WHICH THE PURCHASE SHOULD BECOME FAMILIAR WITH. THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE COMPLETE ESCROW AGREEMENT. IF THERE ARE ANY CONFLICTS BETWEEN THE TERMS CONTAINED IN THIS SUMMARY AND THE ESCROW AGREEMENT, THE ESCROW AGREEMENT WILL CONTROL.

Page 2 and End of EXHIBIT "J"